



UTHUKELA
UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

Uthukela District Municipality
Unaudited Annual financial statements
for the year ended 30 June 2019

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity

District Municipality

Nature of business and principal activities

The main business operations of the municipality is to engage in Local Government activities, which includes planning and promotion of integrated development planning, economic, social and environmental development and supplying of the following services to the community: the supply of water and sanitation services, as well as infrastructure development. Water is obtained from (DWS) Department of Water and Sanitation and distributed to the consumers by the municipality.

Municipal Demarcation Code

DC23

Executive Committee

Mayor

Cllr. A.S. Mazibuko
Cllr. N.W. Sibiya (Deputy Mayor)

Councillors

Cllr. M.V. Khumalo
Cllr. S.V. Shabalala
Cllr. T.P. Shabalala
Cllr. S.A. Mvelase
Cllr. P.G. Strydom (Speaker)
Cllr. G. Ndaba
Cllr. S.Z. Khumalo
Cllr. G.S. Mdluli
Cllr. Z. Msobomvu
Cllr. N.M. Hadebe
Cllr. N.K.P. Mbongwa
Cllr. B.S. Dladla
Cllr. E.S. Ndomu
Cllr. S.E. Mbongwa
Cllr. M.C. Mkhize
Cllr. E.M. Majola
Cllr. G.E. Mbhele
Cllr. M.R. Suddaby
Cllr. M.N. Mlotshwa
Cllr. M.B. Mbhele
Cllr. N.L. Zikalala
Cllr. S.B. Dlungwane
Cllr. S.Z.P. Msibi
Cllr. T.B. Njapha
Cllr. M.M. Khoza
Cllr. T.P. Dlamini
Cllr. X.F. Mhlongo
Cllr. S.M. Buthelezi
Cllr. P.A.M. Mfuphi
Cllr. M.H. Msimanga

Grading of local authority

Grade 4
Medium Capacity

Accounting Officer (MM)

S.N. Kunene

Chief Financial Officer (CFO)

Ms. P.H.Z. Kubheka

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

General Information

Registered office	33 Forbes Street Ladysmith Tel: 036-6385100 Fax: 036-6385126 municipalmanager@uthukeladm.co.za
Business address	33 Forbes Street Ladysmith Kwazulu Natal 3370
Postal address	PO Box 116 Ladysmith Kwazulu Natal 3370
Bankers	First National Bank
Auditors	Auditor General - South Africa
Attorneys	Ramkhelewan Incorporated Shepstone & Wylie

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

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COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CIGFARO	Chartered Institute of Government Finance Audit & Risk Officers

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and were given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with Remuneration of Public Office Bearers Act and Minister of Provincial and Local Government's determination in accordance with this act .

The municipality is wholly dependent on the equity share and water sales for continued funding of operations. The unaudited annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. (refer to note 47 for further disclosure on going concern).

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's Internal Auditors.

The unaudited annual financial statements set out on page 1 to 98, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2019 and were signed on its behalf by:

S.N. Kunene
Accounting Officer

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

	Note(s)	2019 R	2018 Restated* R
Assets			
Current Assets			
Inventories	9	6,555,926	6,895,436
Receivables from exchange transactions	10	71,787,214	3,655,147
Receivables from non-exchange transactions	11	345,752	920,047
Consumer debtors	12&13	201,976,124	185,500,898
Cash and cash equivalents	14	43,906,015	6,010,767
		324,571,031	202,982,295
Non-Current Assets			
Property, plant and equipment	4	2,629,735,833	2,534,898,510
Intangible assets	5	500,050	542,209
Receivables from exchange transactions	10	1,658,406	1,658,406
Receivables from non-exchange transactions	11	4,592,424	4,592,424
Prepayments	8	2,721,902	2,423,119
		2,639,208,615	2,544,114,668
Total Assets		2,963,779,646	2,747,096,963
Liabilities			
Current Liabilities			
Operating lease liability	6	556,147	159,527
Payables from exchange transactions	19	275,205,176	159,283,187
Consumer deposits	20	30,307,020	23,595,479
Employee benefit obligation	7	584,467	547,340
Unspent conditional grants and receipts	15	10,538,731	48,157,406
Provisions	16	26,096,598	22,420,123
VAT payable	17	68,294,363	66,059,682
Other liabilities	18	402,433	23,370,656
		411,984,934	343,593,400
Non-Current Liabilities			
Employee benefit obligation	7	30,569,020	31,812,818
		30,569,020	31,812,818
Total Liabilities		442,553,954	375,406,218
Net Assets		2,521,225,692	2,371,690,745

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

	Note(s)	2019 R	2018 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	22	226,010,606	180,547,607
Interest received (trading)	21	56,209,768	43,393,190
Other income	21&24	10,512,304	3,750,848
Interest received - investment	25	7,090,300	4,191,714
Actuarial gains	7	5,934,317	1,172,704
Total revenue from exchange transactions		305,757,295	233,056,063
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	26	751,272,573	669,869,937
Public contributions and donations	21&27	-	7,786,949
Total revenue from non-exchange transactions		751,272,573	677,656,886
Total revenue		1,057,029,868	910,712,949
Expenditure			
Employee related costs	28	(292,992,362)	(253,135,356)
Remuneration of councillors	29	(6,485,619)	(6,720,559)
Depreciation and amortisation	30	(70,409,267)	(68,240,898)
Impairment loss	31	-	(5,629,839)
Finance costs	32	(4,924,723)	(2,788,880)
Lease rentals on operating lease	23	(991,020)	(1,007,640)
Debt Impairment provision	33	(136,548,615)	(131,782,002)
Bad debt written off	49	(6,308,046)	(13,392,510)
Bulk purchases	34	(46,173,695)	(4,778,110)
Contracted services	35	(91,913,676)	(112,307,226)
Loss on disposal of assets and liabilities	4	(942,714)	(3,884,205)
General Expenses	36	(212,405,643)	(131,540,842)
Total expenditure		(870,095,380)	(735,208,067)
Surplus for the year		186,934,488	175,504,882

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2017	2,196,185,863	2,196,185,863
Changes in net assets		
Reversal of impairment losses on revalued capital assets	-	-
Net income (losses) recognised directly in net assets	-	-
Restated surplus for the year	175,504,882	175,504,882
Total recognised income and expenses for the year	175,504,882	175,504,882
Total changes	175,504,882	175,504,882
Opening balance restated	2,371,690,745	2,371,690,745
Restated* Balance at 01 July 2018 as restated*	2,371,690,745	2,371,690,745
Changes in net assets		
Surplus for the year	186,934,488	186,934,488
Movement in accumulated surplus 2018/2019	(37,399,541)	(37,399,541)
Total changes	149,534,947	149,534,947
Balance at 30 June 2019	2,521,225,692	2,521,225,692

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

	Note(s)	2019 R	2018 Restated* R
Cash flows from operating activities			
Receipts			
Service charges		282,220,374	223,940,797
Grants		751,272,573	669,869,937
Interest income		7,090,300	4,191,714
Other cash item		10,512,304	3,750,848
		<u>1,051,095,551</u>	<u>901,753,296</u>
Payments			
Employee and councillor costs		(299,477,981)	(259,855,915)
Suppliers and others		(448,254,957)	(430,064,049)
Finance costs		(4,924,723)	(2,788,880)
		<u>(752,657,661)</u>	<u>(692,708,844)</u>
Net cash flows from operating activities	39	<u>298,437,890</u>	<u>209,044,452</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(244,682,580)	(241,575,251)
Donated assets		-	7,786,949
Net cash flows from investing activities		<u>(244,682,580)</u>	<u>(233,788,302)</u>
Cash flows from financing activities			
Nett increase in other liability (Consumer Deposits)		6,711,541	10,013,824
Movement in other liabilities		(22,968,223)	14,768,172
Increase / (decrease) in finance lease liability		396,620	(25,264)
Net cash flows from financing activities		<u>(15,860,062)</u>	<u>24,756,732</u>
Net increase in cash and cash equivalents		37,895,248	12,882
Cash and cash equivalents at the beginning of the year		6,010,767	5,997,885
Cash and cash equivalents at the end of the year	14	<u>43,906,015</u>	<u>6,010,767</u>

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	291,665,000	4,000,000	295,665,000	226,010,606	(69,654,394)	PER 1
Interest received	50,456,000	-	50,456,000	56,209,768	5,753,768	PER 2
Other income	4,148,000	7,050,000	11,198,000	10,512,304	(685,696)	PER 3
Government grants-Transfers recognised (operational)	405,533,000	12,540,000	418,073,000	409,171,166	(8,901,834)	PER 4
Interest received - investment	6,572,000	(644,000)	5,928,000	7,090,300	1,162,300	PER 5
Total revenue from exchange transactions	758,374,000	22,946,000	781,320,000	708,994,144	(72,325,856)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants-Transfers recognised (capital)	407,804,000	(62,809,000)	344,995,000	342,101,407	(2,893,593)	PER 6
Total revenue	1,166,178,000	(39,863,000)	1,126,315,000	1,051,095,551	(75,219,449)	
Expenditure						
Personnel	(271,837,000)	-	(271,837,000)	(292,992,362)	(21,155,362)	PER 7
Remuneration of councillors	(8,156,000)	700,000	(7,456,000)	(6,485,619)	970,381	PER 8
Depreciation and amortisation	(86,634,000)	22,634,000	(64,000,000)	(70,409,267)	(6,409,267)	PER 9
Finance costs	(561,000)	(388,000)	(949,000)	(4,924,723)	(3,975,723)	PER 10
Lease rentals on operating lease	-	-	-	(991,020)	(991,020)	PER 11
Bad debt provision	(136,628,000)	-	(136,628,000)	(136,548,615)	79,385	PER 12
Bad debt written off	-	-	-	(6,308,046)	(6,308,046)	PER 13
Repairs and maintenance	(16,023,000)	1,638,000	(14,385,000)	-	14,385,000	PER 14
Bulk purchases	(6,586,000)	2,586,000	(4,000,000)	(46,173,695)	(42,173,695)	PER 15
Contracted Services	(117,869,000)	(21,551,000)	(139,420,000)	(91,913,676)	47,506,324	PER 16
Government Grant Expenditure	(1,000,000)	550,000	(450,000)	-	450,000	PER 17
General Expenses	(74,815,000)	(2,905,000)	(77,720,000)	(212,405,643)	(134,685,643)	PER 18
Total expenditure	(720,109,000)	3,264,000	(716,845,000)	(869,152,666)	(152,307,666)	
Operating surplus	446,069,000	(36,599,000)	409,470,000	181,942,885	(227,527,115)	
Loss on disposal of assets and liabilities	-	-	-	(942,714)	(942,714)	PER 19
Actuarial gains/losses	-	-	-	5,934,317	5,934,317	PER 20
	-	-	-	4,991,603	4,991,603	
Surplus before taxation	446,069,000	(36,599,000)	409,470,000	186,934,488	(222,535,512)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	446,069,000	(36,599,000)	409,470,000	186,934,488	(222,535,512)	

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	6,785,000	-	6,785,000	6,555,926	(229,074)	POS 21
Receivables from exchange transactions	50,000,000	(50,000,000)	-	71,787,214	71,787,214	POS 22
Receivables from non-exchange transactions	1,581,000	-	1,581,000	345,752	(1,235,248)	POS 23
Consumer debtors from exchange transactions	191,276,000	-	191,276,000	201,976,124	10,700,124	POS 24
Cash and cash equivalents	1,248,000	7,372,000	8,620,000	43,906,015	35,286,015	POS 25
	250,890,000	(42,628,000)	208,262,000	324,571,031	116,309,031	
Non-Current Assets						
Property, plant and equipment	2,801,165,000	-	2,801,165,000	2,629,735,833	(171,429,167)	POS 26
Intangible assets	588,000	-	588,000	500,050	(87,950)	POS 27
Receivables from exchange transactions	-	-	-	1,658,406	1,658,406	POS 28
Receivables from non-exchange transactions	-	-	-	4,592,424	4,592,424	POS 29
Prepayments	-	-	-	2,721,902	2,721,902	POS 30
	2,801,753,000	-	2,801,753,000	2,639,208,615	(162,544,385)	
Total Assets	3,052,643,000	(42,628,000)	3,010,015,000	2,963,779,646	(46,235,354)	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	556,147	556,147	POS 31
Payables from exchange transactions	124,472,000	(35,013,000)	89,459,000	275,205,176	185,746,176	POS 32
Other accruals "Provisions"	-	22,420,000	22,420,000	-	(22,420,000)	POS 33
Consumer deposits	15,346,000	-	15,346,000	30,307,020	14,961,020	POS 34
Employee benefit obligation	-	-	-	584,467	584,467	POS 35
Unspent conditional grants and receipts	-	-	-	10,538,731	10,538,731	POS 36
Provisions	-	-	-	26,096,598	26,096,598	POS 37
Other liabilities (VAT payable)	-	-	-	68,294,363	68,294,363	POS 38
Other liability	-	-	-	402,433	402,433	POS 39
	139,818,000	(12,593,000)	127,225,000	411,984,935	284,759,935	
Non-Current Liabilities						
Provisions (Retirement benefit obligation)	35,825,000	-	35,825,000	30,569,020	(5,255,980)	POS 40
Total Liabilities	175,643,000	(12,593,000)	163,050,000	442,553,955	279,503,955	
Net Assets	2,877,000,000	(30,035,000)	2,846,965,000	2,521,225,691	(325,739,309)	

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Accumulated surplus	2,877,000,000	(30,035,000)	2,846,965,000	2,521,225,691	(325,739,309)	
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Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	131,249,000	-	131,249,000	282,220,374	150,971,374	
Grants	813,337,000	-	813,337,000	751,272,573	(62,064,427)	
Other receipts	4,148,000	-	4,148,000	10,512,304	6,364,304	
Interest income	6,572,000	-	6,572,000	7,090,300	518,300	
	955,306,000	-	955,306,000	1,051,095,551	95,789,551	
Payments						
Employee costs	(279,993,000)	-	(279,993,000)	(299,477,981)	(19,484,981)	
Suppliers and other	(215,293,000)	-	(215,293,000)	(448,254,957)	(232,961,957)	
Finance costs	(561,000)	-	(561,000)	(4,924,723)	(4,363,723)	
Transfers and grants	(1,000,000)	-	(1,000,000)	-	1,000,000	
	(496,847,000)	-	(496,847,000)	(752,657,661)	(255,810,661)	
Net cash flows from operating activities	458,459,000	-	458,459,000	298,437,890	(160,021,110)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(407,831,000)	-	(407,831,000)	(244,682,580)	163,148,420	
Cash flows from financing activities						
Movement in other liability (consumer deposits)	1,765,000	-	1,765,000	6,711,541	4,946,541	
Movement in other liabilities	-	-	-	(22,968,223)	(22,968,223)	
Movement in finance lease liability	-	-	-	396,620	396,620	
Net cash flows from financing activities	1,765,000	-	1,765,000	(15,860,062)	(17,625,062)	
Net increase/(decrease) in cash and cash equivalents	52,393,000	-	52,393,000	37,895,248	(14,497,752)	
Cash and cash equivalents at the beginning of the year	(51,144,000)	-	(51,144,000)	6,010,767	57,154,767	
Cash and cash equivalents at the end of the year	1,249,000	-	1,249,000	43,906,015	42,657,015	
Reconciliation						

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

References to statement of comparison of budget and actual amounts

Statement of financial performance.

PER 1 - "Service Charges" - The Municipality did not achieve its targets with regards to the budget on collection of service charges and has developed and implemented a revenue enhancement strategy to improve on the completeness of debtors and revenue collection. Field workers have been appointed to identify faulty meters which needs to be replaced and this exercise will continue into the 2019/2020 financial year. Consultants have been appointed whom have identified meters where no readings have been taken and meters which have been estimated over a period of time.

PER 2 - "Interest received" - Interest on service charges has escalated due to the poor collection rate.

PER 3 - "Other income" - The Municipality accurately budgeted for other income.

PER 4 - Government grants (transfers recognized) - operational - the Municipality did not received all the grants in respect of the 2018/2019 financial year as per the National and Provincial payment schedules as the unspent portion of the RBIG grant as at 30 June 2018 roll over application was declined and it was recovered from the Equity share allocation for the year.

PER 5 - "Interest received on investments" - The Municipality earned more interest on investment as was anticipated due to surplus cash being invested.

PER 6 - "Government grants (transfers recognized)" - capital" - the municipality has strived to achieve 100% expenditure on capital grants which includes roll over amounts from the 2017/2018 financial year, however the roll over application in respect of the unspent portion of the RBIG grant from the 2017/2018 financial year was disallowed and recovered from the equity share allocation for the 2018/2019 financial year.

PER 7 - "Employee related costs" - High overtime, standby and nightshift claims remains a challenge.

PER 8 - "Remuneration of Councillors" - provision was made in the budget for Councillors to receive backpay during the financial year in terms of the Government Gazette for Councillors upper limits dated December 2018.

PER 9 - "Depreciation and amortization" - Provision was made in the budget for the 2018/2019 financial year for the additional assets the Municipality purchased during the year however this was under provided for.

PER 10 - "Finance costs" - The finance costs "interest charged" with regards to the post-retirement medical aid and long service awards were not budgeted for.

PER 11 - "Lease rentals on operating leases" - This is a new line item in the statement of financial performance and was not budgeted for.

PER 12 - "Provision for bad debt" - Collection of outstanding debt remains a challenge and with the increase in total outstanding debtors which were not anticipated the provision had to be adjusted at year end.

PER 13 - "Bad debt written off" - The municipality has implemented its Indigent policy and Indigent debt has been written off. Discount incentives has also been written off during the year. This was not anticipated when the budget was compiled and was not provided for.

PER 14 - "Repairs and maintenance" - In terms of GRAP 1 "Presentation of financial statements". Maintenance and repairs is now disclosed under note 4 "PPE" of the financial statements and has been re-classified as contracted services in the statement of financial performance.

PER 15 - "Bulk purchases" - This represents the bulk water purchased from the Department of Water and Sanitation (DWS) and payments are made on actual invoices received. At year end no Invoices has been received from DWS. The Municipality however obtained statements dated 30 June 2019 from DWS at year end and a provision has been made for raw water purchases. Umgeni Water has also invoiced the Municipality for purified water for the period January 2019 to June 2019. This was not anticipated and for this reason the budget was insufficient.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

PER 16 - "Contracted services" - The contracts with contracted water tanker service providers was cancelled as part of cost containment measures therefore the saving against the budget. Maintenance and repairs is now also disclosed as contracted services.

PER 17 - "Government Grant expenditure" - Government Grants are no longer disclosed as a separate line item in the statement of financial performance. These expenditure is included in general expenditure.

PER 18 - "General expenditure" - The Municipality did not manage to stay within the amount budgeted for and over expenditure has been recorded as unauthorized expenditure and disclosed in the notes. The biggest contribution to the over expenditure is assets which were donated and recognised as an expense in the statement of financial performance.

PER 19 - "Loss on disposal of assets and liabilities" - This was not budgeted for.

PER 20 - "Actuarial gains/losses" - Relates to employee post retirement benefit obligation. This was not budgeted for.

Statement of financial position.

POS 21 - "Inventories" - Inventory items are no longer kept at the water and sewerage treatment plants and all items required must be obtained from the stores. The ageing infrastructure impacts on material kept at the stores. Inventory also includes water and chemical stock on hand.

POS 22 - "Receivables from exchange transactions" - Represents sundry debtors and deposits paid.

POS 23 - "Receivables from non-exchange transactions" - Represents unpaid cheques and overpayments to contractors.

POS 24 - "Consumer debtors from exchange transactions" - When the budget was prepared the poor collection rate was not accurately anticipated and the provision for bad debt was not accurately taken into account.

POS 25 - "cash and cash equivalents" - Was not accurately budgeted for as the budget was based on the prior years performance.

POS 26 - "Property Plant & Equipment" - The variance between the budget and actual amount is due to the capitalization and asset impairment which were not accurately budgeted for.

POS 27 - "Intangible assets" - The variance is due to impairment not accurately budgeted for.

POS 28 - "Receivables from exchange transactions" - Represents deposits paid to third party vendors and was not budgeted for.

POS 29 - "Receivables from non-exchange transactions" - Represents Salary fraud which took place during the period March 2012 and February 2014. This was not budgeted for.

POS 30 - "Prepayments" - Represents the annual SALGA subscription paid in advance. Was budgeted for under general expenditure.

POS 31 - "Operating lease liability" - The liability is in respect of operating leases (rental offices and rental office machines) and was not budgeted for.

POS 32 - "Payables from exchange transactions" - Consists trade payables, DWS accrual in respect of raw water purchases, trust funds, retentions on capital project expenditure and sundry creditors.

POS 33 - "Other accruals - provisions" - Consists of leave pay and bonus accruals which were not budgeted for.

POS 34 - "Consumer deposits" - The variance is as a result of the increase in deposits due to non payment of outstanding debt as well as new connections.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

POS 35 - "Employee benefit obligation" - This is in respect of post retirement medical aid and long service awards which were not budgeted for.

POS 36 - "Unspent conditional grants and receipts" - Represents the unspent liability as at 30 June 2019 not budgeted for.

POS 37 - "Provisions" - Relates to Bonus and leave provision and was not budgeted for.

POS 38 - "VAT payable" - Represents VAT payable and was not budgeted for. The Municipality is registered with SARS on a payment bases and therefore VAT is only paid over to SARS once it has been received from the consumers.

POS 39 - "Provision for retirement benefit obligation" - Is the medical aid and long service award obligation as at 30 June 2019.

POS 40 - "Other liabilities" - relates to the salary control account which will be cleared in July 2019 with the July 2019 payroll run.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2019											
Financial Performance											
Service charges	342,120,000	4,000,000	346,120,000	-		346,120,000	226,010,606		(120,109,394)	65 %	66 %
Investment revenue	6,572,000	(644,000)	5,928,000	-		5,928,000	7,090,300		1,162,300	120 %	108 %
Transfers recognised - operational	405,533,000	12,540,000	418,073,000	-		418,073,000	409,171,166		(8,901,834)	98 %	101 %
Other own revenue	4,149,000	7,050,000	11,199,000	-		11,199,000	72,656,389		61,457,389	649 %	1,751 %
Total revenue (excluding capital transfers and contributions)	758,374,000	22,946,000	781,320,000	-		781,320,000	714,928,461		(66,391,539)	92 %	94 %
Employee costs	(271,837,000)	-	(271,837,000)	-	-	(271,837,000)	(292,992,362)	(21,155,362)	(21,155,362)	108 %	108 %
Remuneration of councillors	(8,156,000)	700,000	(7,456,000)	-	-	(7,456,000)	(6,485,619)	970,381	970,381	87 %	80 %
Debt impairment	(136,628,000)	-	(136,628,000)			(136,628,000)	(136,548,615)	79,385	79,385	100 %	100 %
Depreciation and asset impairment	(86,634,000)	22,634,000	(64,000,000)			(64,000,000)	(70,409,267)	(6,409,267)	(6,409,267)	110 %	81 %
Finance charges	(561,000)	(388,000)	(949,000)	-	-	(949,000)	(4,924,723)	(3,975,723)	(3,975,723)	519 %	878 %
Materials and bulk purchases	(6,586,000)	2,586,000	(4,000,000)	-	-	(4,000,000)	(46,173,695)	(42,173,695)	(42,173,695)	1,154 %	701 %
Grant expenditure	(1,000,000)	550,000	(450,000)	-	-	(450,000)	-	450,000	450,000	- %	- %
Other expenditure	(208,707,000)	(22,818,000)	(231,525,000)	-	-	(231,525,000)	(312,561,099)	(81,037,099)	(81,036,099)	135 %	150 %
Total expenditure	(720,109,000)	3,264,000	(716,845,000)	-	-	(716,845,000)	(870,095,380)	(153,251,380)	(153,250,380)	121 %	121 %
Surplus/(Deficit)	38,265,000	26,210,000	64,475,000	-		64,475,000	(155,166,919)		(219,641,919)	(241)%	(406)%

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	407,804,000	(62,809,000)	344,995,000	-		344,995,000	342,101,407		(2,893,593)	99 %	84 %
Surplus (Deficit) after capital transfers and contributions	446,069,000	(36,599,000)	409,470,000	-		409,470,000	186,934,488		(222,535,512)	46 %	42 %
Surplus/(Deficit) for the year	446,069,000	(36,599,000)	409,470,000	-		409,470,000	186,934,488		(222,535,512)	46 %	42 %

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
2018				
Financial Performance				
Service charges				180,547,607
Investment revenue				4,191,714
Transfers recognised - operational				368,910,735
Other own revenue				48,316,742
Total revenue (excluding capital transfers and contributions)				601,966,798
Employee costs	-	-	-	(253,135,356)
Remuneration of councillors	-	-	-	(6,720,559)
Debt impairment	-	-	-	(131,782,002)
Depreciation and asset impairment	-	-	-	(73,870,737)
Finance charges	-	-	-	(2,788,880)
Materials and bulk purchases	-	-	-	(4,778,110)
Other expenditure	-	-	-	(262,132,423)
Total expenditure	-	-	-	(735,208,067)
Surplus/(Deficit)				(133,241,269)
Transfers recognised - capital				300,959,202
Contributions recognised - capital and contributed assets				7,786,949
Surplus (Deficit) after capital transfers and contributions				175,504,882
Surplus/(Deficit) for the year				175,504,882

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. "Significant judgement and sources of measurement uncertainty" on assumptions used

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	No depreciation	Infinite
Buildings	Straight line	30 Years
Plant and machinery	Straight line	5 Years
Furniture and fixtures	Straight line	7 years
Motor vehicles	Straight line	5 Years
Office equipment	Straight line	3-5 Years
IT equipment	Straight line	3 Years
Computer software	Straight line	3 years
Pumps	Straight line	15 Years
Reservoirs and tanks	Straight line	50 Years
Chemical tanks	Straight line	50 Years
Reinforced concrete clatifiers	Straight line	50 Years
Transformer high voltage	Straight line	50 Years
Transformer medium voltage	Straight line	45 Years
Laboratory equipment	Straight line	5 Years
Specialised vehicles	Straight line	5 Years
Water network	Straight line	20 Years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

There is no depreciatoin on land.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Patents, trademarks and other rights	Straight line	30 Years
Computer software, other	Straight line	3 years

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Receivables from exchange transactions
Receivables from non-exchange transactions
Consumer debtors
Cash and cash equivalents
Statutory receivables

Category

Financial asset measured at amortised cost
Financial asset measured at fair value
Financial asset measured at amortised cost
Financial asset measured at fair value
Financial asset measured at transaction cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Payables from exchange transactions
Other accruals
Consumer deposits
Unspent conditional grants
VAT payables
Other financial liabilities

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at fair value

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

The Municipality recognises statutory receivables in its statement of financial position or in the notes in terms of the water services bylaws and in line with GRAP108.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset (including statutory receivables) and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets (including statutory receivables) and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Uthukela District Municipality

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Uthukela District Municipality

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Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.11 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.12 Provisions and contingencies

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.12 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

Uthukela District Municipality

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Accounting Policies

1.13 Commitments (continued)

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Comparative figures in the Statement of Financial Position has been reclassified in respect of prior year adjustments

Comparative figures in the Statement of Financial Performance has been reclassified in respect of prior year adjustmentst

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Uthukela District Municipality

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Accounting Policies

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018-07-01 to 2019-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.22 Budget information (continued)

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the unaudited annual financial statements as the recommended disclosure when the unaudited annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its unaudited annual financial statements.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Going concern assumption

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019	2018
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2. Changes in accounting policy

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 108: Statutory Receivables	01 July 2018	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4,770,772	-	4,770,772	4,770,772	-	4,770,772
Buildings	39,580,178	(4,284,105)	35,296,073	39,580,178	(2,998,769)	36,581,409
Infrastructure	3,232,074,859	(658,136,507)	2,573,938,352	3,117,305,911	(648,437,660)	2,468,868,251
Other property, plant and equipment (Movables)	71,830,482	(56,099,846)	15,730,636	72,881,632	(48,203,554)	24,678,078
Total	3,348,256,291	(718,520,458)	2,629,735,833	3,234,538,493	(699,639,983)	2,534,898,510

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Write offs	Work in progress	Other changes, movements	Depreciation	Total
Land	4,770,772	-	-	-	-	-	4,770,772
Buildings	36,581,409	-	-	-	-	(1,285,336)	35,296,073
Infrastructure	2,468,868,251	3,159,652	(61,100,571)	238,403,274	(17,434,262)	(57,957,992)	2,573,938,352
Other property, plant and equipment (movables)	24,678,078	3,119,654	(943,316)	-	-	(11,123,780)	15,730,636
	2,534,898,510	6,279,306	(62,043,887)	238,403,274	(17,434,262)	(70,367,108)	2,629,735,833

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Write offs	Transfers received	Transfers	Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	4,770,772	-	-	-	-	-	-	-	-	4,770,772
Buildings	25,666,783	10,156,163	-	-	-	1,961,336	-	(1,202,873)	-	36,581,409
Infrastructure	1,835,925,127	222,954,106	(2,992,009)	-	(351,052)	477,419,737	(1,956,997)	(56,500,822)	(5,629,839)	2,468,868,251
Other property, plant and equipment	27,245,878	8,464,982	(892,386)	351,052	-	-	-	(10,491,448)	-	24,678,078
	1,893,608,560	241,575,251	(3,884,395)	351,052	(351,052)	479,381,073	(1,956,997)	(68,195,143)	(5,629,839)	2,534,898,510

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
4. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Other property, plant and equipment (work in progress - Infrastructure)	610,458,333	475,111,688
Buildings	1,961,337	1,961,337
	612,419,670	477,073,025
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Ekuvukeni water supply - dredging of Oliphantskop dam	35,903,477	-
Start date 20/07/2017 end date 31/05/2019.		
Fitty Park - Contract 100/2012	14,320,657	14,320,657
Start date 21/08/2015 end date 13/04/2016.		
Emmaus emergency water supply	2,706,847	-
Start date 16/08/2017 end date 31/03/2018.		
Fitty Park CWSS phase 2	37,266,236	26,232,308
Start date 18/10/2016 end date 14/01/2018.		
Kwanobamba Ezitendeni Sanitation	25,919,332	23,134,118
Start date 18/10/2016 end date 23/05/2018.		
Kwanobamba sanitation WWTW - mechanical electrical work	2,906,874	-
Start date 01/04/2018 end date 30/06/2019.		
Hobsland to Indaka Stage 2	26,534,392	20,212,493
Start date 29/05/2017 end date 20/04/2018.		
District Disastre centre	1,961,337	-
Start date 01/02/2016 end date 25/07/2018		
Bergville borehole	2,253,894	-
Start date 07/08/2016 end date 30/06/2019		
Bhekuzulu phase 6	15,224,756	-
Start date 30/06/2014 end date 12/12/2018.		
	164,997,802	83,899,576
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Kwanobamba Ezitendeni WWTW	10,202,265	11,482,649
Contract terminated.		
Moyeni/Zwelisha WTW Mechanical & Electrical upgrade	2,714,591	2,714,591
Work suspended due to non availability of funds.		
	12,916,856	14,197,240
Reconciliation of Work-in-Progress 2019		
	Included within Other PPE	Total
Opening balance	477,073,025	455,452,391
Additions/capital expenditure	238,403,274	41,416,795
Other movements	(17,434,261)	-
Transferred to completed items	(85,622,369)	(85,622,369)
	612,419,669	411,246,817

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
4. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2018		
	Included within Other PPE	Total
Opening balance	431,975,655	431,975,655
Additions/capital expenditure	273,804,852	252,184,218
Other movements	(2,308,049)	(2,308,049)
Transferred to completed items	(226,399,433)	(226,399,433)
	477,073,025	455,452,391

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Employee related costs	38,793,469	33,025,224
Maintenance of buildings and offices	128,649	163,250
Maintenance of vehicles	8,610,530	12,441,149
Maintenance of pipelines and reservoirs	9,498,801	6,971,885
Maintenance to plant and equipment - water treatment and waste water treatment works	248,418	728,680
Maintenance of pumps	5,797,265	11,262,484
Maintenance of disinfection system "blue drop and green drop"	328,775	694,629
Maintenance of electrical equipment	357,297	782,164
Furniture and equipment	2,305	63,120
	63,765,509	66,132,585

Expenditure incurred on maintenance and repairs on property plant and equipment amounting to R33,107,361 (2017/2018) and R24,972,040 (2018/2019) is included in contracted services in the statement of financial performance.

Refer to note number 35 (contracted services).

Employee related costs (overtime, standby and nightshift allowances) of R33,025,224 (2017/2018) and R38,793,469 (2018/2019) is included in employee related cost in the statement of financial performance.

Refer to note number 28 (overtime, standby and night shift allowances).

5. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	786,557	(286,507)	500,050	786,557	(244,348)	542,209

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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5. Intangible assets (continued)

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	542,209	(42,159)	500,050

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	587,965	(45,756)	542,209

6. Operating lease liability

Current liabilities	(556,147)	(159,527)
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The Municipality currently occupies satellite offices in Estcourt, Colenso and Weenen.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
7. Employee benefit obligation		
Post retirement medical aid plan and long service awards		
Independent valuers, ARCH Actuarial Consulting has carried out the statutory valuation for the 2018/2019 financial year.		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Medical aid post retirement obligation	(19,361,874)	(18,324,275)
Long service awards	(11,791,613)	(14,035,883)
	(31,153,487)	(32,360,158)
Non-current liabilities	(30,569,020)	(31,812,818)
Current liabilities	(584,467)	(547,340)
	(31,153,487)	(32,360,158)
Changes in the present value of the post retirement medical aid plan obligation are as follows:		
Opening balance	18,324,275	17,057,808
Net expense recognised in the statement of financial performance	1,037,599	1,266,467
	19,361,874	18,324,275
Net expense recognised in the statement of financial performance		
Current service cost	1,315,346	1,290,242
Interest cost	1,737,073	1,644,167
Actuarial (gains) losses	(1,467,480)	(1,219,667)
Expected contributions (benefits paid)	(547,340)	(448,275)
	1,037,599	1,266,467
Calculation of actuarial gains and losses		
Increase in net discount rate	(862,835)	(1,282,073)
Decrease in assumed average retirement age	4,175,715	-
Decreased in assumed membership continuation rate at retirement	(3,438,403)	-
Decreased in assumed dependant proportion at retirement	(1,176,150)	-
Application of revised withdrawal rates	(2,367,204)	-
Application of post-employment mortality improvement	967,627	-
Subsidy increase higher than assumed	122,462	31,063
Changes in membership profile different from assumed	1,111,308	31,343
	(1,467,480)	(1,219,667)
Movement in the retirement medical aid obligation are as follows:		
Opening balance	18,324,275	17,057,808
Current service costs	1,315,346	1,290,242
Interest costs	1,737,073	1,644,167
Expected employer benefit payments	(547,340)	(448,275)
Actuarial loss / (gain)	(1,467,480)	(1,219,667)
	19,361,874	18,324,275

The municipality expects to contribute R547,340 to its defined benefit plans in the 2018/2019 financial year and R584,467 in the 2019/2020 financial year.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
7. Employee benefit obligation (continued)		
Key assumptions used		
The principal actuarial assumptions were as follows;		
Discount rates used	9.45 %	9.62 %
Health care cost inflation rate	6.91 %	7.42 %
Net-of-health-care-cost-inflation discount rate	2.38 %	2.05 %
Maximum subsidy inflation rate	4.81 %	5.19 %
Net-of-maximum-subsidy-inflation discount rate	4.43 %	4.21 %
Examples of mortality rates used were as follows;		
Retirement age and mortality		
Average retirement age	62 Years	65 Years
Continuation of membership at retirement	75%	100%
Proportion assumed married at retirement age	60%	90%
Mortality during employment	SA 85-90	SA85-90
Mortality post-retirement	PA(90)-1	PA(90)-2
Members withdrawn from service: (avarage for males and females)		
Averages for males and females	Males	Females
Age 20	9%	9%
Age 25	8%	8%
Age 30	6%	6%
Age 35	5%	5%
Age 40	5%	5%
Age 45	4%	4%
Age 50	3%	3%
Age 55+	0%	0%
Long Service awards.		
The municipality offers employees long service awards for every 5 years of service completed, from 10 years of service to 45 years of service.		
Changes in present value of long service awards are as follows		
Value at the beginning of the year	14,035,883	12,068,822
Decrease in value of obligation	(2,244,270)	1,967,061
	11,791,613	14,035,883
Calculation of actuarial gains and losses		
Increase in nett discount rate	(88,491)	(303,088)
Decrease in assumed average retirement age	(1,583,837)	-
Application of revised withdrawal rates	(2,647,459)	-
Earnings higher than assumed	739,398	287,699
Changes to employee profile different from assumed	(886,448)	62,352
	(4,466,837)	46,963

Independent valuers, ARCH Actuarial Consulting, carried out the valuations for the 2018/2019 financial year.

The total liability has decreased by 16% or (R2,244,270) during the 2018/2019 financial year due to the increase in salaries and more eligible employees.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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7. Employee benefit obligation (continued)

The principle actuarial assumptions used were as follows;

Rates	2019	2018
Discount rates	8.17%	8.75%
General salary inflation (long term)	5.57%	6.30%
Net discount rate	2.46%	2.30%

The valuation was performed at the end of June 2019 and the next valuation at the end of June 2020.

Examples of mortality rates	2019	2018
Average retirement age	62	65
Pre-retirement mortality	SA 85-90	SA 85-90

Members withdrawn from services: (average for males and females).

Age groups	Males	Females
Age 20	9%	9%
Age 25	8%	8%
Age 30	6%	6%
Age 35	5%	5%
Age 40	5%	5%
Age 45	4%	4%
Age 50	3%	3%
Age 55+	0%	0%

The amount recognized in the statement of financial position were determined as follows;

Value of the liability in the statement of financial position		
Present value of funded obligation	11,791,613	14,035,883
Movement in the long service obligation		
Balance at the beginning of the year	14,035,883	12,068,822
Current service costs	1,693,920	1,434,287
Interest cost	1,199,409	1,028,638
Expected employee benefit payments	(670,762)	(542,827)
Actuarial loss / (gain)	(4,466,837)	46,963
Balance at the end of the year	11,791,613	14,035,883

The amounts recognized in the statement of financial position and the statement of financial performance are as follows;

Statement of financial position obligation		
Long service awards	11,791,613	14,035,883
Statement of financial performance obligation loss / (gain)		
Long service awards	(4,466,837)	46,963

Reasons for the movement in the liability is as follows.

The average liability has decreased by 18% since the last valuation due to;

- A decrease in the assumed average retirement age.
- The application of revised withdrawal rates.
- A n increase in the net discount rate.

These impacts were partially offset by the following factors;

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
7. Employee benefit obligation (continued)		
• An increase in the average earnings.		
• An increase in the average past service.		
8. Prepayments		
Prepayments represent rental of offices and parking space payable in advance and SALGA annual membership fees paid in advance in respect of the 2018/2019 financial year.		
Operating leases are disclosed in note 37.		
Prepayments made		
Ms. A. Good - rental of satellite office at 63/69 Sir George Street - Colenso	-	2,196
SALGA membership fees - 2018/2019 financial year	-	2,420,923
SALGA membership fees - 2019/2020 financial year	2,721,902	-
	2,721,902	2,423,119
9. Inventories		
Chemicals	591,653	820,621
Purified water stock	921,695	538,146
Stores	5,042,578	5,536,669
	6,555,926	6,895,436
10. Receivables from exchange transactions		
Trade debtors	93,696	432,210
Prepayments	50,235,493	-
Deposits	1,658,406	1,658,406
Sundry debtors	21,458,025	3,222,937
	73,445,620	5,313,553
Non-current assets	1,658,406	1,658,406
Current assets	71,787,214	3,655,147
	73,445,620	5,313,553
The amount of R1,658,406 (2017/2018 and 2018/2019) is the total amount of deposits paid to third party vendors.		
11. Receivables from non-exchange transactions		
Receivables from non exchange transactions	4,621,778	4,621,778
Other receivables from non exchange transaction	316,398	890,693
	4,938,176	5,512,471
Non-current assets	4,592,424	4,592,424
Current assets	345,752	920,047
	4,938,176	5,512,471

Receivables from non-exchange transactions (R4,621,778) includes an amount of R4,592,424 in respect of salary fraud and R29,354 in respect of unpaid cheques issued in favour of the municipality.

The amount of R4,592,424 in respect of the salary fraud is not included in employee related costs in the statement of financial performance.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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11. Receivables from non-exchange transactions (continued)

Other receivables from non-exchange transactions (2017/2018) of (R890,693) include an amount of R316,398 which is in respect of overpayments made to contractors and R574,295 in respect of the salary control account.

A payment made to the Auditor General was incorrectly deposited into the account of a Ms. Mashishi.

Mrs. Mashisi claimed that the money was paid into her loan account which she does not have access to.

As at 30 June 2018, R705,365 out of R899,250 has been recovered from Ms. Mashishi and R407,310 out of R503,752 has been recovered in respect of the overpayments made.

Shepstone and Wylie Attorneys instituted legal action on behalf of the Municipality to recover the outstanding monies which were erroneously paid into the bank account belonging to Ms. Mashishi. They have been instructed by the Municipality to execute against the debtors goods for the recovery of the outstanding balance. Action was instituted in the Johannesburg Magistrates Court to recover the balance through an emoluments attachment order as the debtor is known to be employed. On the advice of the Magistrate Shepstone & Wylie were advised to proceed with a section 65 first in order for the Magistrate to hold an enquiry into the debtors financial position. Shepstone & Wylie is currently attending to the necessary procedure to have the matter set down for section 65.

The section 65 appearance was attended to by the debtor and her legal representative, it was adjourned for the debtor to provide her financial statements. The Court file was thereafter misplaced and a duplicate file had to be created. The debtor failed to show up at Court and the Court directed to re-serve the section 65 notice on the debtor. Shepstone & Wylie served the notice on the debtor several times as per the Courts directives however it became evident that the debtor was evasive. On the basis they have exhausted the section 65 route, Shepstone & Wylie proceeded to draft an emolument application and are in the process of lodging same to Court.

As at 30 June 2018 the current assets of R920,047 represents (unpaid cheques of R29,354), (amount due by Ms. Mashishi R193,886), (over payments made to contractors R96,442), (shortage Estcourt cashier R26,070) and (salary control account R574,295).

As at 30 June 2018 other receivables from non exchange transactions amounts to R890,693 which represents R193,886 outstanding in respect of the payment made to Ms. Mashisi, R96,442 in respect of over payments made to contractors, R26,070 in respect of the Estcourt cashier shortages and R574,295 in respect of the salary control account.

The amount of R574,295 "salary suspense account" included in other receivables from non exchange transactions "employee related costs" was recovered in July 2018.

Standard operating procedures were updated to strengthen our internal controls. Warning letters were also issued to staff members involved and they were informed that disciplinary action will be taken in future.

During May 2017 the cashier in Estcourt issued receipt to the amount of R25,770 which could not be reconciled with the daily deposits. Upon investigation it was found that not only was the money not deposited by the cashier but her float of R300 was also missing. The cashier absconded and has not returned for duty. The Senior Debtors Clerk made a sworn statement with then SAPS on the 7 th of July 2017 and Management has resolved to initiate criminal action against the cashier.

Except for the salary fraud the municipality expects to realize these debtors within twelve months.

The amount of R316,398 (2018/2019) comprises of R193,886 in respect of payment made to Ms. Mashisi, R96,442 in respect of overpayments to contractors, R26,070 in respect of cashier shortages.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
12. Consumer debtors		
Gross balances		
Water and sanitation	940,985,400	814,935,891
Agreements	4,562,128	6,182,469
Statutory receivables	50,057,638	21,462,966
	995,605,166	842,581,326
Less: Allowance for impairment		
Water and sanitation	(748,577,168)	(635,617,462)
Statutory receivables	(45,051,874)	(21,462,966)
	(793,629,042)	(657,080,428)
Net balance		
Water and sanitation	192,408,232	179,318,429
Agreements	4,562,128	6,182,469
Statutory receivables	5,005,764	-
	201,976,124	185,500,898
Water		
Current (0 -30 days)	4,778,560	9,767,519
31 - 60 days	3,741,178	4,403,562
61 - 90 days	3,340,636	3,114,318
91 - 120 days	3,379,390	2,616,285
121 - 365 days	177,168,468	159,416,745
	192,408,232	179,318,429
Agreements		
> 365 days	4,562,128	6,182,469
Statutory receivables		
Current (0 -30 days)	179,428	-
31 - 60 days	166,803	-
61 - 90 days	159,271	-
91 - 120 days	162,633	-
121 - 365 days	4,337,629	-
	5,005,764	-

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
12. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	18,597,654	29,750,405
31 - 60 days	16,243,345	12,432,058
61 - 90 days	15,480,055	11,846,654
91 - 120 days	14,874,540	11,228,936
121 - 365 days	841,616,661	696,916,059
> 365 days	4,562,128	6,182,469
	<u>911,374,383</u>	<u>768,356,581</u>
Less: Allowance for impairment	(726,176,881)	(598,768,981)
	<u>185,197,502</u>	<u>169,587,600</u>
Industrial/ commercial		
Current (0 -30 days)	3,091,884	10,110,832
31 - 60 days	1,448,531	2,470,934
61 - 90 days	1,033,203	893,442
91 - 120 days	854,355	592,073
121 - 365 days	18,915,389	28,315,360
	<u>25,343,362</u>	<u>42,382,641</u>
Less: Allowance for impairment	(20,295,009)	(33,298,081)
	<u>5,048,353</u>	<u>9,084,560</u>
National and provincial government		
Current (0 -30 days)	3,200,181	5,697,616
31 - 60 days	1,926,679	5,636,637
61 - 90 days	1,056,716	1,786,087
91 - 120 days	2,052,502	382,188
121 - 365 days	50,651,344	18,339,576
	<u>58,887,422</u>	<u>31,842,104</u>
Less: Allowance for impairment	(47,157,153)	(25,015,366)
	<u>11,730,269</u>	<u>6,826,738</u>
Total		
Current (0 -30 days)	23,689,159	45,558,853
31 - 60 days	19,618,555	20,539,629
61 - 90 days	17,569,974	14,526,183
91 - 120 days	17,781,396	12,203,197
121 - 365 days	912,383,954	743,570,995
> 365 days	4,562,128	6,182,469
	<u>995,605,166</u>	<u>842,581,326</u>
Less: Allowance for impairment	(793,629,042)	(657,080,428)
	<u>201,976,124</u>	<u>185,500,898</u>
Less: Allowance for impairment		
Current (0 -30 days)	(19,931,732)	(35,791,333)
31 - 60 days	(15,710,574)	(16,136,068)
61 - 90 days	(14,070,066)	(11,411,865)
91 - 120 days	(14,239,374)	(9,586,912)
121 - 365 days	(729,677,296)	(584,154,250)
	<u>(793,629,042)</u>	<u>(657,080,428)</u>

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
12. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(657,080,428)	(525,298,426)
Contributions to allowance	(136,548,615)	(131,782,002)
	(793,629,043)	(657,080,428)

At the end of June 2018 (2017/2018 financial year) consumer debtors amounted to R842,581,326 and a provision for impairment was made to the amount of R657,080,428 with net debtors being R185,500,898 at year end.

At the end of June 2019 (2018/2019 financial year) consumer debtors amounted to R995,605,166 and a provision for impairment was made to the amount of R793,629,042 with net debtors being R201,976,124 at year end.

Fair value of consumer debtors

Consumer debtors at year end	201,976,124	185,500,898
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The municipality performed its own exercise in terms of Grap 104 to establish;

1. How much of the debt is recoverable.
2. When will the amount be recovered.
3. And the present value of the debt that is to be recovered.

By using the above measures the impairment provision calculated is R657,080,428 as at 30 June 2018 and R793,629,042 as at 30 June 2019.

Reconciliation of allowance for impairment of consumer debtors

The Municipality has recently recognized statutory debt in compliance with GRAP standard 108. The inception of transactions giving rise to statutory debt originated in the 2017/2018 financial year but corrected in the 2018/2019 financial year and comparative figures have since been restated and accounting policy note updated accordingly.

The Management assesses debtors payment trends and the period it takes to fully settle the debt balance. The debt raised in 2017/018 R21,462,966 has been fully provided for as the Municipality could not anticipate any inflow from the property owners who were not aware of the accounts the Municipality opened towards the end of the 2017/2018 financial year. At least 660 property owners has made payments to the amount of R5,728,030 in the 2018/2019 financial year and that gave the Municipality a bases to work out the annual collection which can be anticipated and base the statutory debt impairment provision on.

An 10% collection rate is anticipated in the subsequent year after billing.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
13. Consumer debtors disclosure		
Summary of statutory receivables by classification		
Consumers		
Current (0 -30 days)	1,486,306	-
31 - 60 days	1,413,996	-
61 - 90 days	1,403,006	-
91 - 120 days	1,391,182	-
121 - 365 days	35,066,656	14,354,674
	<u>40,761,146</u>	<u>14,354,674</u>
Less: Allowance for impairment	(36,685,032)	(14,354,674)
	<u>4,076,114</u>	<u>-</u>
Industrial/ commercial		
Current (0 -30 days)	102,608	-
31 - 60 days	87,213	-
61 - 90 days	87,062	-
91 - 120 days	86,058	-
121 - 365 days	3,143,226	2,261,657
	<u>3,506,167</u>	<u>2,261,657</u>
Less: Allowance for impairment	(3,155,550)	(2,261,657)
	<u>350,617</u>	<u>-</u>
National and provincial government		
Current (0 -30 days)	205,363	-
31 - 60 days	166,826	-
61 - 90 days	102,639	-
91 - 120 days	149,088	-
121 - 365 days	5,166,408	4,846,635
	<u>5,790,324</u>	<u>4,846,635</u>
Less: Allowance for impairment	(5,211,292)	(4,846,635)
	<u>579,032</u>	<u>-</u>
Total		
Current (0 -30 days)	1,794,276	-
31 - 60 days	1,668,035	-
61 - 90 days	1,592,708	-
91 - 120 days	1,626,328	-
121 - 365 days	43,376,291	21,462,966
	<u>50,057,638</u>	<u>21,462,966</u>
Less: Allowance for impairment	(45,051,874)	(21,462,966)
	<u>5,005,764</u>	<u>-</u>
Less: Allowance for impairment		
Current (0 -30 days)	(1,614,849)	-
31 - 60 days	(1,501,231)	-
61 - 90 days	(1,433,437)	-
91 - 120 days	(1,463,695)	-
121 - 365 days	(39,038,662)	(21,462,966)
	<u>(45,051,874)</u>	<u>(21,462,966)</u>
Total statutory debtors		
Gross consumer debtors	50,057,638	21,462,966

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
13. Consumer debtors disclosure (continued)		
Less: allowance for impairments	(45,051,874)	(21,462,966)
	5,005,764	-
Reconciliation of allowance for impairment		
Balance at beginning of the year	(21,462,966)	-
Contributions to allowance	(23,588,908)	(21,462,966)
	(45,051,874)	(21,462,966)
14. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cashier float and petty cash	11,800	11,800
Bank balances	5,511,359	5,611,190
Short-term deposits	38,382,856	387,777
	43,906,015	6,010,767

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R			2018 R		
14. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB - main account 62252306280	5,511,359	5,611,190	2,106,534	5,511,358	5,611,190	2,106,534
FNB - watrer account 62253072385	-	-	24,889	-	-	1,556,564
FNB business money account 62283176644	355,671	338,213	265,672	-	-	-
FNB short term deposit account 62600579679	313,982	1,245	236,417	-	-	-
FNB short term deposit account 62600812102	5,334,365	48,319	131,361	-	-	-
Nedbank Call deposit account 7881006110	183,042	-	-	-	-	-
Nedbank call deposit account 7881108134	-	-	2,502	-	-	-
Nedbank call deposit account 7881108142	-	-	37,876	-	-	-
Nedbank call deposit account 7881108150	-	-	41,001	-	-	-
Nedbank call deposit account 7881108185	-	-	891	-	-	-
Investec call deposit account 1100433766501	20,784,392	-	-	-	-	-
ABSA 7 day notice account 9341705144	11,262,642	-	-	-	-	-
ABSA Liquidity Plus account	148,762	-	-	-	-	-
Total	43,894,215	5,998,967	2,847,143	5,511,358	5,611,190	3,663,098

Investments were done in terms of the MFMA, Chapter 3, Part 2, Section 13 "Cash Management and Investments".

Interest was earned at an average interest rate of 6.55% for the period ending 30 June 2019.

15. Unspent conditional grants and receipts

Unspent conditional grants are disclosed in the statement of financial performance as a liability and represents grants which have not been fully spent during the financial year. Application has been made to the funders for the approval of a roll over of the unspent portions to the following financial year.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Regional Bulk Infrastructure Grant (RBIG)	3,588,191	46,379,798
LGSETA Training Grant	396,167	336,942
Massification grant	4,554,542	-
District Growth and Development Summit	2,580	2,580
NODAL Plan	1,000,000	-
KZN DPSS	-	210,695
Rural Road Asset Management Grant	997,251	1,227,391
	10,538,731	48,157,406

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
15. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	48,157,406	69,711,254
Additions during the year	362,551,726	353,831,260
Income recognition during the year	(353,790,603)	(308,301,937)
Less application for roll over disapproved	(46,379,798)	(67,083,171)
	10,538,731	48,157,406

The nature and extent of government grants recognised in the unaudited annual financial statements is an indication of government assistance from which the municipality has directly benefited.

Unfulfilled conditions remains a liability at year end and are disclosed in the statement of financial position.

See note 26 for reconciliation of grants from National/Provincial Government.

16. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Bonus provision	6,457,437	798,980	7,256,417
Leave provision	15,962,686	2,877,495	18,840,181
	22,420,123	3,676,475	26,096,598

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Bonus provision	5,337,823	1,119,614	6,457,437
Leave provision	13,603,780	2,358,906	15,962,686
	18,941,603	3,478,520	22,420,123

Non-current liabilities	-	-
Current liabilities	26,096,598	22,420,123
	26,096,598	22,420,123

17. Vat Payable

The municipality is registered on a payment basis for VAT purposes with SARS. The VAT payable is as a result of the unpaid debt due by municipal consumers. Payment is made to SARS on receipt of payments received from consumers.

Monthly VAT returns are up to date.

The municipality has received VAT refunds to the amount of R44,246,223 during the 2017/2018 financial year and R42,398,210 during the 2018/2019 financial year.

VAT payable to SARS	68,294,363	66,059,682
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18. Other liability

Other liabilities at year end is as follows.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
18. Other liability (continued)		
Other liabilities as listed		
Salary control	402,433	-
Advance receipts - transfers	-	8,602,484
National Treasury - in respect of the unspent Regional Bulk Infrastructure Grant as at 30 June 2017 - application for roll over from 2016/2017 to 2017/2018	-	14,768,172
disapproved		
	402,433	23,370,656

The amount of R402,433 relates to the salary control account (salary advances as at 30 June 2019) which will be recovered/cleared in July 2019.

Two transfer payments (R1,044,284) and (R7,558,200) was received on the 31st of March 2016. As at year end, 30 June 2016, there was uncertainty as to what the the transfers relate to and no confirmation could be obtained to confirm what the funds was in respect of and whether it was a National or Provincial transfer.

The Municipality has been unable to establish the source of the R8,602,484 and it remained a liability as at 30 June 2018.

All avenues has been exhausted and the Municipality has been unable to establish the source of the R8,602,484 and has therefore transferred the money from the liability account to the accumulated surplus account during the 2018/2019 financial year.

As at year end 30 June 2017 the unspent portion of the Regional Bulk Infrastructure grant amounted to R67,063,172. The Municipality's application for roll over was declined and National Treasury informed the Municipality that the amount will be recovered as follows.

- * The first repayment against the December 2017 Equity Share allocation for the amount of R25.1 million.
- * The second repayment against the March 2018 Equity Share allocation for the amount of R27.2 Million.
- * The third repayment against the July 2018 Equity Share allocation for the amount of R14.8 Million.

To provide for this the Municipality created National Treasury as a creditor at year end 30 June 2018.

The R14.8 million was recovered by National Treasury from the 2018/2019 financial year Equity Share allocation.

19. Payables from exchange transactions

Trade payables	233,279,077	117,875,353
Department of Water Affairs (DWS) Accrual	8,660,145	6,719,411
Trust funds- late estates	5,536,541	5,196,190
Retentions	25,849,666	27,698,990
Sundry creditors	1,879,747	1,793,243
	275,205,176	159,283,187

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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19. Payables from exchange transactions (continued)

Fair value of Trust funds

Total value	5,536,541	5,196,190
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Council employees previously had life cover under a Group Life Scheme which was cancelled, however employees now have accidental death life cover under Councils insurance portfolio with Indwe Risk Services.

The trust fund are monies which were received from the Group Life Scheme or Councils insurers in respect of employees who passed away while in service of the municipality.

Employees complete a beneficiary nomination form when they join the municipality as an employee.

These trust funds represents monies held in trust by the municipality which have not yet been claimed by the nominated beneficiaries.

Trust funds held by the Municipality earns interest on an annual bases. Interest is calculated at the average interest rate the Municipality earned on investments made.

20. Consumer deposits

Water	30,307,020	23,595,479
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The increase in consumer deposits is as a result of new accounts opened and increases in deposits held due to non payment of arrear accounts.

21. Revenue

Service charges	226,010,606	180,547,607
Interest received - trading services	56,209,768	43,393,190
Other income	10,512,304	3,750,848
Interest received - investment	7,090,300	4,191,714
Government grants & subsidies	751,272,573	669,869,937
Public contributions and donations	-	7,786,949
	1,051,095,551	909,540,245

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	226,010,606	180,547,607
Interest received - trading services	56,209,768	43,393,190
Other income	10,512,304	3,750,848
Interest received - investment	7,090,300	4,191,714
	299,822,978	231,883,359

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Government grants & subsidies	751,272,573	669,869,937
Public contributions and donations	-	7,786,949
	751,272,573	677,656,886

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
22. Service charges		
Sale of water	196,630,371	160,099,064
Sewerage and sanitation charges	26,068,670	16,978,641
Other service charges	3,311,565	3,469,902
	226,010,606	180,547,607
Other service charges (R3,469,902 2017/2018) relates to R1,555,736 in respect of water connections, R58,871 in respect of sewer connections and R1,855,295 in respect of trade effluent charges.		
Other service charges (R3,311,565 2018/2019) relates to R1,979,627 in respect of water connections, R44,911 in respect of sewer connections and R1,287,027 in respect of trade effluent charges.		
23. Lease rentals on operating lease		
Equipment		
Contractual amounts	437,204	565,834
Lease rentals on operating lease - Other		
Contractual amounts	553,816	441,806
	991,020	1,007,640
24. Other revenue		
Other income	10,512,304	3,750,848
Other income (R10,512,304) includes an amount of R8,255,725 received from Shepstone And Wylie - contingent asset recovered from Namandla Roads and Civils		
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Clearance certificates	247,676	206,887
Copies of building plans	1,020,258	400,327
Sundry income	12,168	37,106
Insurance claims received	842,669	2,950,321
Tender documents	115,308	136,207
	2,238,079	3,730,848
The amount included in other revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Fines - illegal connections and tampering	18,500	20,000
Contingent asset recovery - Namandla Roads and Civils - Shepstone And Wylie	8,255,725	-
	8,274,225	20,000
25. Investment revenue		
Interest revenue		
Interest earned on investment accounts	6,321,399	3,381,018
Interest earned other	768,901	810,696
	7,090,300	4,191,714

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
26. Government grants and subsidies		
Operating grants		
Equitable share	397,481,970	361,568,000
District Growth and Development	-	297,420
Finance Management Grant	1,545,000	1,795,000
EPWP Integrated Grant	6,206,000	3,724,000
LGSETA	427,501	371,818
Raset Program	3,000,000	-
DPSS (Development planning)	510,695	1,154,497
	409,171,166	368,910,735
Capital grants		
Regional Bulk Infrastructure Grant	41,411,809	28,672,202
Municipal Infrastructure Grant	180,033,000	187,304,000
Municipal Water Infrastructure grant	108,493,000	82,500,000
Rural Transport Services Plan	2,718,140	2,483,000
Massification Grant	9,445,458	-
	342,101,407	300,959,202
	751,272,573	669,869,937
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	353,790,603	308,301,937
Unconditional grants received	397,481,970	361,568,000
	751,272,573	669,869,937

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigent consumers received a monthly subsidy of 6 Kiloliters - (2019: R65.76) which is funded from the grant.

The 6kl free basic subsidy - in respect of indigent consumers for the 2017/2018 financial year amounted to R3,465,863 and R3,354,079 in respect of the 2018/2019 financial year.

The cost of free basic services - water supplied by water tankers for the 2018/2019 financial year amounted to R37,706,735 and R54,821,889 in respect of the 2017/2018 financial year.

Municipal Infrastructure Grant

Current-year receipts	180,033,000	187,304,000
Conditions met - transferred to revenue	(180,033,000)	(187,304,000)
	-	-

The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant funding aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of Government's overall drive to alleviate poverty in the Country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

The MIG is the major funding mechanism for all municipal infrastructure for basic services to the poor such as roads, electricity, recreation facilities and water and sanitation. The MIG funding is provided to municipalities with certain conditions attached.

Municipal Water Infrastructure

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
26. Government grants and subsidies (continued)		
Current-year receipts	108,493,000	82,500,000
Conditions met - transferred to revenue	(108,493,000)	(82,500,000)
	<u>-</u>	<u>-</u>

The Municipal Water Infrastructure grant is to assist Water Services Authorities (WSA's) to provide water supply services to consumers currently without services, particularly those in rural areas.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

Access to water supply enabled through the development of new infrastructure and/or refurbishment and/or upgrading of existing infrastructure to communities identified as not having a basic water supply service.

It is also aimed at the reduction of water losses and non-revenue water.

Regional Bulk Infrastructure

Balance unspent at beginning of year	46,379,798	67,083,172
Current-year receipts	45,000,000	75,052,000
Conditions met - transferred to revenue	(41,411,809)	(28,672,202)
Application for rollover disallowed	(46,379,798)	(67,083,172)
	<u>3,588,191</u>	<u>46,379,798</u>

Conditions still to be met at year end - remain liabilities (see note 15).

RBIG is a specific purpose capital grant with the objective to supplement the financing of the social component of regional bulk water supply and sanitation infrastructure.

The application of these funds is specifically for "water supply" and "sanitation" regional bulk infrastructure, with the focus on "regional" characteristics and the "infrastructure" element.

This includes all aspects relating to the implementation of the infrastructure, planning, design, procurement, construction as well as setting up the institutional arrangements for sustainable operation and management.

The rollover application for the unspent amount of R67,083,172 (2016/2017) was declined. R25.1 million was recovered from the December 2017 equity share allocation, R27.2 million from the March 2018 equity share allocation and the total equity share allocation in respect of the 2018/2019 financial year was reduced by the remaining R14.8 million.

The rollover application for the unspent amount of R46,379,798 (2017/2018) was declined and it was recovered from the allocation received in January 2019.

LGSETA Grant - Training

Balance unspent at beginning of year	336,942	285,499
Current-year receipts	486,726	423,260
Conditions met - transferred to revenue	(427,501)	(371,817)
	<u>396,167</u>	<u>336,942</u>

Conditions still to be met at year end - remain liabilities (see note 15).

LGSETA is a discretionary grant which assist the Local Government sector to adapt to changes in the economy and needs of the country and ensuring that the skills levy is effectively targeted to meet the skills needs of employers and employees in the Local Government sector.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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26. Government grants and subsidies (continued)

The strategic objective of the LGSETA grant is for the development of a skilled and capable workforce supporting a responsive, accountable, efficient and effective Local Government system, through a range of learning programmes that focus on scarce and critical skills.

Training programmes focuses on employment equity, provision of opportunities for young people, support enterprise development and improving the skills profile of those from poorer social-economic backgrounds and assisting in career-pathing from lower graded to higher graded jobs within the organization.

Massification Grant

Current-year receipts	14,000,000	-
Conditions met - transferred to revenue	(9,445,458)	-
	<u>4,554,542</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 15).

The Massification Grant is for the upgrade, maintenance and repairs of water services infrastructure.

KZN District Growth and Development

Balance unspent at beginning of year	2,580	-
Current-year receipts	-	300,000
Conditions met - transferred to revenue	-	(297,420)
	<u>2,580</u>	<u>2,580</u>

Conditions still to be met - remain liabilities (see note 15).

The purpose of the District Growth and Development grant is to mobilise and synchronise strategic plans and investment priorities in all spheres of Government, State owned entities, businesses, higher education institutions, labour, civil society and all other social partners in order to achieve the desired growth and development goals, objectives and outcomes.

Spatially contextualise and prioritise interventions so as to achieve greater spatial equity.

Develop clearly defined institutional arrangements that ensure decisive leadership, robust management, through implementation and ongoing review of the growth and development plan.

RASET Program Grant

Current-year receipts	3,000,000	-
Conditions met - transferred to revenue	(3,000,000)	-
	<u>-</u>	<u>-</u>

The purpose of the grant is for social transformation of emerging farmers which will provide food to Government schools and hospitals.

NODAL Plan Grant

Current-year receipts	<u>1,000,000</u>	<u>-</u>
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Conditions still to be met - remain liabilities (see note 15).

The NODAL plan grant is in respect of a development strategy for the economic upliftment of Estcourt, Weenen and Muden.

DPSS (Development planning)

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
26. Government grants and subsidies (continued)		
Balance unspent at beginning of year	210,695	1,115,192
Current-year receipts	300,000	250,000
Conditions met - transferred to revenue	(510,695)	(1,154,497)
	<u>-</u>	<u>210,695</u>

Shared services are the joint provision, performance or delivery of a service, facility, or activity by two or more Local Government entities that each may be separate.

Local Governments may determine that delivery of services on a regional basis is the most cost-effective method of providing services. To accomplish this, Local Government entities may either enter into joint agreements or transfer the services to another entity.

Activities that will provide significant long-term savings to one or more Municipalities. Including training for programs and services that cross jurisdictional boundaries.

Rural Road Asset Management

Balance unspent at beginning of year	1,227,391	1,227,391
Current-year receipts	2,488,000	2,483,000
Conditions met - transferred to revenue	(2,718,140)	(2,483,000)
	<u>997,251</u>	<u>1,227,391</u>

Conditions still to be met at year end - remain liabilities (see note 15).

The main purpose of the RRAM grant is to assist District Municipalities in setting up their road asset management system, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA) as well as to improve the road sector to being more efficient and internationally competitive.

The program is aimed at building road sector management capacity at local level.

The roll over application for the amount of R1,227,390 (2017/2018), which was declined, was not offset against the equity share allocation for the 2018/201 financial year nor did National Treasury request a refund.

Finance Management Grant

Current-year receipts	1,545,000	1,795,000
Conditions met - transferred to revenue	(1,545,000)	(1,795,000)
	<u>-</u>	<u>-</u>

Conditions still to be met at year end - remain liabilities (see note 15).

The purpose of the grant is for capacity building which must be seen as an attempt to build individual, organisational, institutional and environmental processes to strengthen the service delivery mandate of Municipalities.

Proper systems and processes are the cornerstone to the translation of public funding into service delivery support by competent officials.

The Municipal Finance Management Internship Programme (MFMIIP) is a further attempt to build capacity to deliver on their financial management responsibilities and thus their constitutional obligations.

EPWP Integrated Grant

Current-year receipts	6,206,000	3,724,000
Conditions met - transferred to revenue	(6,206,000)	(3,724,000)
	<u>-</u>	<u>-</u>

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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26. Government grants and subsidies (continued)

The Expanded Public Works Programme (EPWP) is one of an array of Government strategies aimed at addressing unemployment.

The intention of the EPWP incentive grant is to increase job creation efforts by Provinces and Municipalities by providing a financial performance reward.

The incentive is structured to reward Provinces and Municipalities that create EPWP work by reimbursing them a portion of their wage costs. The more employment created, the higher the incentive that will be paid.

27. Public contributions and donations

Public contributions and donations	-	7,786,949
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The public contribution is a donation received from First National Bank in respect of sports events hosted by the Municipality.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
28. Employee related costs		
Basic	182,613,316	158,430,508
Bonus	13,263,592	12,091,708
Medical aid - employers contribution	6,768,773	5,776,782
UIF	1,322,341	1,238,392
SDL	2,504,642	2,168,074
Bargaining council	72,932	66,127
Leave pay accrual	2,877,495	2,358,906
Leave pay	1,372,346	2,129,102
Standby allowances	11,547,416	7,196,254
Defined contribution plans	1,791,164	1,733,427
Travel, motor car, accommodation, subsistence and other allowances	3,574,811	3,764,257
Overtime payments	26,620,146	25,407,858
Acting allowances	1,903,281	1,102,708
Car allowance	11,564,518	7,997,408
Housing benefits and allowances	2,112,349	1,717,696
Surcharge Pension Fund	22,457,333	19,535,037
Night shift	625,907	421,112
	292,992,362	253,135,356
Remuneration of Municipal Manager		
Annual Remuneration	1,471,323	1,435,297
Car Allowance	-	60,000
Backpay	25,564	-
Contributions to UIF, Medical and Pension Funds	1,785	1,785
SDL	12,981	16,470
Leave paid out	-	234,480
Travelling and subsistence	37,109	62,321
	1,548,762	1,810,353
Remuneration of Chief Finance Officer		
Annual Remuneration	651,397	579,330
Car Allowance	316,187	340,141
Backpay	11,322	-
Contributions to UIF, Medical and Pension Funds	1,785	1,785
SDL	11,843	12,139
Housing subsidy	244,726	254,893
Travelling and subsistence	63,096	72,371
Leave paid out	-	19,219
	1,300,356	1,279,878
Remuneration of Manager Technical Services		
Acting allowance	83,811	90,832
Overtime	77,346	-
Backpay	10,707	77,346
Standby	323,493	414,863
	495,357	583,041

The position has not been filled and the PMU Manager was acting in this position.

Remuneration of Manager Health, Environmental Services and WSA

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
28. Employee related costs (continued)		
Annual Remuneration	651,397	699,280
Car Allowance	316,187	208,000
Travelling and subsistence	63,096	-
Contributions to UIF, Medical and Pension Funds	1,785	1,933
Housing subsidy	244,726	162,532
SDL	11,843	12,378
Leave paid out	-	31,725
Backpay	11,322	82,617
	1,300,356	1,198,465

Remuneration of Manager Social and Economic Services

Annual Remuneration	736,548	852,429
Car Allowance	252,925	160,000
Backpay	12,804	-
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Housing subsidy	221,355	140,000
Acting allowance	-	8,180
Travelling and subsistence	24,126	27,292
SDL	11,632	14,663
Leave paid out	-	231,622
	1,261,175	1,435,971

Remuneration of Manager Corporate Services

Annual Remuneration	929,232	828,568
Car Allowance	151,730	154,149
Contributions to UIF, Medical and Pension Funds	1,785	1,785
SDL	11,424	13,529
Housing subsidy	126,524	80,000
Travelling and subsistence	6,133	5,786
Leave paid out	-	198,047
Backpay	16,146	40,512
	1,242,974	1,322,376

Remuneration of Manager Water Services

The position of General Manager Technical Services and Manager Water Services has been consolidated.

The position is vacant and the PMU Manager has been acting in the position

29. Remuneration of councillors

Mayor	849,898	877,894
Deputy Mayor	205,982	203,644
EXCO	503,247	666,263
Speaker	683,971	725,726
Councillors	4,242,521	4,247,032
	6,485,619	6,720,559

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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29. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards . The Deputy Mayor and Speaker have two full-time bodyguards.

30. Depreciation and amortisation

Property, plant and equipment	70,352,988	68,195,142
Intangible assets	56,279	45,756
	<u>70,409,267</u>	<u>68,240,898</u>

31. Impairment of assets

Impairments

Property, plant and equipment	-	5,629,839
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The main classes of assets affected by impairment losses are infrastructure:

32. Finance costs

Bank	4,924,723	2,788,880
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Finance costs relates to interest charges paid.

33. Debt impairment

Debt impairment - Consumer debtors	136,548,615	131,782,002
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34. Bulk purchases

Water	46,173,695	4,778,110
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Bulk purchases represents raw water purchased from DWS (Department of Water and Sanitation) for purification and distribution through the reticulation network to consumers in the district.

A contract has been entered into between the Municipality and Umgeni Water to take over and manage the bulk water function. Thus far they have taken over the Ezakheni, Oliphantskop and Tugela Estate water purification plants.

The increase in bulk purchases is as a result of Umgeni Water billing the Municipality for bulk purified water provided.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
34. Bulk purchases (continued)		
Water losses		
Apparent losses: Unauthorised consumption	25,944,474	13,916,907
Apparent losses: Customer meter inaccuracies	3,163,960	1,697,184
Real losses: Leakage on transmission and distribution mains	60,419,181	32,430,262
Real losses: Leakage and overflows at storage tanks/ reservoirs	24,167,672	12,972,105
Real losses: Leakage on service connections up to the point of customer meter	36,251,509	19,458,157
Subtotal	149,946,796	80,474,615
Data transfer and management errors	2,531,168	1,357,747
Unavoidable annual real losses	93,670,002	17,408,186
Total	246,147,966	99,240,548
Units purchased	306,492,280	269,789,239
Units sold	(191,812,319)	(315,638,509)
Total	114,679,961	(45,849,270)
Comprising of:		
Technical losses	19,571,391	7,956,355
Non-technical losses	2,886,825	1,641,377
Total	22,458,216	9,597,732
Percentage Loss:		
Technical losses	49 %	20 %
Non-technical losses	7 %	4 %
Total	56 %	24 %
35. Contracted services		
Outsourced Services		
Burial Services	15,000	24,000
Security Services	25,241,556	22,821,143
Water Takers	37,706,735	54,821,889
Consultants and Professional Services		
Legal Cost	3,977,158	1,464,583
Contractors		
Artists and Performers	-	19,700
Employee Wellness	-	48,550
Maintenance of Buildings and Facilities	734,364	1,674,094
Maintenance of Equipment	14,410,101	23,766,754
Maintenance of Unspecified Assets	9,827,575	7,666,513
Stage and Sound Crew	1,187	-
	91,913,676	112,307,226

The municipality spent R54,821,889 (2017/2018) and R37,706,735 (2018/2019) on water tankering to provide water to rural areas where there is no piped water (reticulation system).

R33,107,361 (2017/2018) and R24,972,040 (2018/2019) was spent on maintenance and repairs of Municipal assets - refer to note number 4 (PPE).

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

				2019 R	2018 R
35. Contracted services (continued)					
Contracted services is classified as follows.					
2017/2018	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	163,250	-	-	163,250
Vehicles	-	-	12,441,149	-	12,441,149
Pipelines & reservoirs	-	-	-	6,971,885	6,971,885
Buildings plant & pump stations	-	728,680	-	-	728,680
Pumps	-	-	11,262,484	-	11,262,484
Blue drop	-	-	-	694,628	694,628
Electrical	-	782,164	-	-	782,164
Furniture & equipment	-	-	63,121	-	63,121
Burial services	24,000	-	-	-	24,000
Security services	22,821,143	-	-	-	22,821,143
Water tankering	54,821,889	-	-	-	54,821,889
Legal costs	1,464,583	-	-	-	1,464,583
Artist and performers	19,700	-	-	-	19,700
Employee wellness	48,550	-	-	-	48,550
	79,199,865	1,674,094	23,766,754	7,666,513	112,307,226
2018/2019	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	128,649	-	-	128,649
Vehicles	-	-	8,610,530	-	8,610,530
Pipelines & reservoirs	-	-	-	9,498,801	9,498,801
Buildings plant & pump stations	-	248,418	-	-	248,418
Pumps	-	-	5,797,266	-	5,797,266
Blue drop	-	-	-	328,774	328,774
Electrical	-	357,297	-	-	357,297
Specialised equipment	-	-	2,305	-	2,305
Burial services	15,000	-	-	-	15,000
Security services	25,241,556	-	-	-	25,241,556
Water tankering	37,706,735	-	-	-	37,706,735
Legal costs	3,977,158	-	-	-	3,977,158
Stage and sound crew	1,187	-	-	-	1,187
	66,941,636	734,364	14,410,101	9,827,575	91,913,676

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
36. General expenses		
Advertising	433,106	822,003
Auditors remuneration	3,038,637	3,089,400
Bank charges	679,213	706,472
Cleaning	526,778	892,859
Commission paid	1,175,605	432,848
Computer expenses	3,016,340	1,835,176
Consulting and professional fees	4,373,817	7,503,903
Consumables	1,565,383	391,897
Donations	61,101,169	-
Entertainment	15,570	2,508,953
Hire	4,024,225	3,072,695
Insurance	4,563,139	4,387,707
Conferences and seminars	932,253	775,371
IT expenses	-	2,371,724
Fleet	-	479,106
Medical expenses	233,640	113,450
Motor vehicle expenses	1,003,591	1,413,484
Fuel and oil	13,758,713	9,578,330
Postage and courier	-	820
Printing and stationery	1,627,391	2,497,194
Protective clothing	2,183,264	192,991
Subscriptions and membership fees	3,014,568	60,202
Telephone and fax	2,980,441	2,760,224
Training	805,504	1,050,404
Assets expensed	31,293,646	16,829,313
Electricity	58,686,401	54,957,147
Water - internal use	135,767	372,194
Audit committee	218,952	194,576
Government grant expenditure	5,403,179	1,918,585
Chemicals	5,054,216	9,107,685
Other expenses	561,135	1,224,129
	212,405,643	131,540,842

Government grant expenditure represents projects expenditure funded by grants which are not capitalized and is not reflected as PPE in the fixed asset register.

Assets expensed relates to expenditure incurred against the capital budget however these items are not of a capital nature and have therefore not being capitalised and are not included in PPE in the fixed asset register.

Printing and stationery includes amounts paid to Inside Data for the printing of consumer debtors statements.

Maintenance and repairs is now disclosed under note 4 "PPE" - Grap 1 - Presentation of financial statements and note 35 "contracted services".

Donations of R49,044,947 represents assets which were donated/transferred to Umgeni Water.

Consulting and professional fees

GIS Programs	216,869	-
Consultants	2,940,302	5,061,418
Asset verification	1,029,776	1,793,053
VAT audit	186,870	649,432
	4,373,817	7,503,903

Consulting and professional fees are included in general expenditure above.

Grant expenditure

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
36. General expenses (continued)		
Uthukela Development Agency	3,000,000	-
EPWP	-	1,918,585
MIG top slice (admin fees)	2,403,179	-
	5,403,179	1,918,585

Grant expenditure is included in general expenditure above.

37. Auditors' remuneration

Fees	3,038,637	3,089,400
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38. Lease rentals on operating leases

Agreement of leases - Lessor

Dedekind Real Estate - rental of parking space in ladysmith	198,000	313,500
V.R. Sarjoo - rental of satellite office in Weenen	25,898	50,712
October Morn Investments CC	240,000	-
Moon Magic Investments - rental of office in Estcourt	64,648	51,567
A. Good - rental of office in Colenso	25,270	26,027
Konica Minolta - rental of office machines (photo copiers)	437,204	565,834
	991,020	1,007,640

The lease agreement with Sarjoo VR is for the satellite office at Retief Street in Weenen which commenced in January 2005 on a month to month basis and was terminated in September 2015. A new contract was entered into for the period October 2015 to September 2018.

The lease agreement with Rashid Suleman Trust was for the satellite office at 127 Albert Street Estcourt and was for the period 1 December 2014 to 1 January 2015. Rashid Suleman Trust is now known as Moon Magic Investments (Pty) Ltd and the lease agreement was for the period February 2015 to January 2016, February 2016 to January 2017, February 2017 to January 2018, March 2018 to February 2019 and March 2019 to February 2020.

The lease agreement with October Morn Investments CC is on a month to month basis and is for parking space at 24/28 Murchison Street which commenced on the 1st of October 2015. A new lease agreement was entered into for the period March 2018 to February 2019.

The lease agreement with A Good is in respect of the satellite office at 63/69 Sir George Street in Colenso for the period September 2015 to August 2018.

The lease agreement with Dedekind Real Estate is for parking space which is on a month to month basis. A new lease agreement was entered into for the period June 2018 to May 2019.

Additional office equipment (photo copiers) is leased from Konica Minolta for a period of 36 months which started in December 2015 and terminates in November 2018.

Operating lease liabilities

Rental of offices	556,147	159,528
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Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
39. Cash generated from operating activities		
Surplus	186,934,488	175,504,882
Adjustments for:		
Depreciation and amortisation	70,409,267	68,240,898
Loss on sale of assets	942,714	3,884,205
Impairment deficit	-	5,629,839
Debt impairment	136,548,615	131,782,002
Bad debts written off	6,308,046	13,392,510
Changes accumulated surplus	37,399,542	(10,418,134)
Changes in working capital:		
Inventories	339,510	(969,479)
Increase/(decrease) receivables from exchange transactions (current assets)	(68,132,067)	(790,121)
Increase/(decrease) receivables from exchange transactions (Consumer debtors)	(153,125,732)	(203,987,452)
Other receivables from non-exchange transactions	574,295	-
Increase/ (decrease) prepayments	(298,783)	(2,423,119)
Increase/(decrease) in payables from exchange transactions	115,921,989	49,143,921
Increase/ (decrease) in VAT	2,234,681	1,608,348
Increase unspent conditional grants and receipts	(37,618,675)	(21,553,848)
	298,437,890	209,044,452

40. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity

Management has taken a decision to dispose of a significant group of assets as reflected in Appendix B "analysis of property, plant and equipment".

Description of the asset(s), group of assets and liabilities or, component

Carrying values

Carrying value of a group of assets (vehicles)	-	2,219,790
Carrying value of a group of assets (computer equipment)	-	26,677
Carrying value of a group of assets (furniture and fittings)	-	36,890
Carrying value of a group of assets (office equipment)	-	12,210
Carrying value of a group of assets (infrastructure)	-	6,914,580

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	348,856,148	185,305,620
Infrastructure Grants - MIG, MWIG, WSIG & RRAMS		
Bhekuzulu phase 1 - reticulation	1,856,037	15,627,752
Bhekuzulu phase 2 - reticulation	2,158,881	5,469,059
Bhekuzulu phase 7	-	2,999,796
Bhekuzulu - outstanding work	11,979,976	22,777,842
Kwanobamba / Ezitendeni sanitation	2,313,568	6,903,165
Kwanobamba / Ezitendeni WWTW civil and building works	29,664,437	28,986,616
Kwanobamba / Ezitendeni WWTW mech	13,961,074	14,752,832
Kwanobamba / Ezitendeni sanitation project - reticulation and pump station phase 1B	37,096,690	-
Ezakheni sanitation phase 2	-	5,379,232
Umdlumayo project	6,882,542	5,105,352
Fitty Park phase 2	814,736	5,815,126
Hopsland to Indaka phase 2	-	14,500,916
Moyeni / Zwelisha	-	1,512,643
Umtshezi east regional water	-	2,010,570
Estcourt industrial pipeline	2,916,530	-
Construction of Estcourt industrial area water network upgrade	20,524,123	-
Construction of Wembezi water conservation and demand management phase 1	63,482,859	-
Dredging of Oliphantskop dam	692,881	5,932,102
Ntabamhlophe phase 13 retic	2,862,150	12,536,368
Kwajwili borehole	144,838	144,838
Bergville phase 2	22,616,533	51,876,048
Bergville emergency sewer	19,254	-
Emmause emergency water supply	418,989	418,989
Ekuvukeni refurbishment of the Oliphantskop water treatment works	43,077,455	-
Ekuvukeni bulk rising mains and booster pumpstation to Zanbuilt reservoir	51,499,789	-
Establishment of Rural Road Asset Management System	6,257,841	-
	321,241,183	202,749,246
The increase in the commitment in respect of the Kwanobamba Ezitendeni WWTW mechanical and electrical project is due to an extension of scope on contract 01/2017MEU - Klomac Engineering.		
The increase in the commitment in respect of the Kwanobamba Ezitendeni WWTW civil and building is due to a contract price adjustment on contract 15/2015 CON - Njengamanje Trading.		
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	2,689,386	-
Total capital commitments		
Already contracted for but not provided for	348,856,148	185,305,620
Not yet contracted for and authorised by accounting officer	2,689,386	-
	351,545,534	185,305,620
Authorised operational expenditure		
Already contracted for but not provided for		
• Rental offices	61,832	407,493
• Rental Office machines	341,920	341,318

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
41. Commitments (continued)		
• Red Spike Security - guarding of municipal property	-	4,714,237
• VIP toilets	2,058,634	3,944,665
	2,462,386	9,407,713
Not yet contracted for and authorised by accounting officer		
• Creditors orders issued as at 30 June 2018	-	1,993,550
• Creditors orders as at 30 June 2019	3,961,161	-
	3,961,161	1,993,550
Total operational commitments		
Already contracted for but not provided for	2,462,386	9,407,713
Not yet contracted for and authorised by accounting officer	3,961,161	1,993,550
	6,423,547	11,401,263
Total commitments		
Total commitments		
Authorised capital expenditure	351,545,534	185,305,620
Authorised operational expenditure	6,423,547	11,401,263
	357,969,081	196,706,883

This committed expenditure relates to plant and equipment as well as operational expenditure and will be financed by grant funding, retained surpluses, existing cash resources, funds internally generated, etc.

All amounts are inclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	403,752	352,810
- in second to fifth year inclusive	-	248,498
	403,752	601,308

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years. No contingent rent is payable.

Parking space for Council vehicles is negotiated on a month to month basis.

Office machines rented from Konica Minolta are negotiated for a term of three years.

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
42. Contingent Liabilities		
Contingent liabilities		
Ramkhelewan INC - D. Kistado	-	15,240
Ramkhelewan INC - A.M.J. Hlongwane	174,261	174,261
Ramkhelewan INC - Aurocon	378,607	378,607
Ramkhelewan INC - J. Potgieter	4,534	4,534
Ramkhelewan INC - Jeffares & Green	576,484	576,484
Ramkhelewan INC - Nambithi Pumps	5,795,972	5,795,972
Ramkhelewan INC - Andile Thwala	-	100,000
Shepstone & Wylie - Abajabuli Project Services	15,190,398	15,190,398
Shepstone & Wylie - S. Sewepersad	-	3,000,000
Shepstone & Wylie - Ubunzima Trading Enterprise CC	1,758,304	1,758,304
Shepstone & Wylie - RASP Consultants CC	65,857	65,857
Shepstone & Wylie - RASP Consultants CC	63,400	63,400
Shepstone & Wylie - T.R. Keswa	-	1,853,170
Shepstone & Wylie - Ndlalabeyidida Trading (Pty) Ltd	90,000	90,000
	24,097,817	29,066,227

The above contingent liabilities are being attended to by the Municipalities legal representatives.

Details are as follows;

D. Kistado - Collision on motorcycle with surveyors peg - Claim amount R15,240 - the matter was set down for trial and postponed. There is a very good prospect of succeeding with the defence and Council's legal representative believe that the plaintiffs claim should have been against the Alfred Duma Local Municipality and not Uthukela. The claim was settled by the Municipalities insurers and the plaintiff was paid a negotiated amount. The file has been closed.

A.M. J. Hlongwane - Eradication of bucket latrines in Ekuvukeni "Contract 19/2005" - Claim amount R174,261 - the matter has been defended in the High Court and is awaiting for the plaintiff to take the next step. The prospect of success herein is good and Council's legal representative suggests that they continue defending the matter.

Aurocon - Consultants fees not paid - Claim amount R378,607 - the matter has been defended and must proceed. Prospects of success are good considering previous consultations the Municipality's legal representatives had with S. Mthethwa and B.H. Khoza. For now the matter is pending as the plaintiff is negotiating settlement with the Municipality directly.

J. Potgieter - burst pipe causing damages to wall and paving - Claim amount R4,534 - the matter has been defended and Council's legal representative is awaiting trial date. The plaintiff's claim is against the Municipality for damages to a wall and paving when a burst water pipe was repaired. Prospect of success are good, however it has been a while since the plaintiff has taken any further steps on pursuing this matter. Shepstone & Wylie indicated that they will adopt a "wait and see approach to the matter".

Jeffares and Green - Consultant fees in respect of Bergville water project - Claim amount R576,484 - the matter was set down for trial but removed from the roll as the plaintiff intends amending its papers. The Municipality's legal representative will inform the Municipality once a new trial date has been set.

Nambithi Pumps - breach of contract - Amount claimed R5,795,972 - this is in respect of the cost of the contract and the loss of profit. The plaintiff issued summons based on a breach of contract. The matter is being defended and will proceed to trial.

IPTCO - Rates levied - No claim amount as the plaintiff brought an application to reassess rates amount levied by the Municipality on the farm. The matter is current and proceeding to trial. Thus far there has been no movement by the plaintiff and the attorneys are suggesting that the matter lie until the plaintiff makes the next move.

Andile Thwala - injuries suffered by child - Claim amount R100,000 - the claim arose from injuries suffered by her child by falling into an exposed manhole. The matter was settled as the Municipality's insurers paid the plaintiff's negotiated claim.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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42. Contingent Liabilities (continued)

Abajabuli Project Services CC - Thuk3974.3 - Claim amount R15,190,398 - this is a claim brought against the Municipality for breach of contract. Judgement in favour of the Municipality was delivered by the Court on the 20th of February 2017, but the plaintiff applied for and was granted an application to appeal against such judgement. The plaintiffs appeal was heard on the 21st of June 2019, and judgement in respect thereof was delivered on the 1st of July 2019 dismissing the plaintiffs appeal with costs.

S. Sewepersad - Thuk3974.5 - Claim amount R3,000,000 - In this matter a notice was sent to the Municipality in terms of Section 2 of Act 40 of 2002 by Viren Naidoo & Associates advising of their client's claim (A. Sewepersad) against the Municipality for the sum of R3,000 000 arising from the death of his wife and injuries to himself which were allegedly caused when the vehicle they were travelling in plunged into a deep trench which was allegedly dug by the Municipality's employees and was not cordoned off. The Municipality has referred this to its insurers who are in the process of investigating the matter. No further instructions were received from the Municipality and Shepstone & Wylie closed their file in August 2017.

Ubunzima Trading Enterprise CC - Thuk3974.14 - Claim amount R1,758,304 - summons was issued against the Municipality in respect of retention moneys which were not paid over to the plaintiff on completion of certain works as follows; claim no 1 - R1,039,355 for laying of pipes in Inkanyezi community water supply scheme, claim no 2 - R604,395 for laying of pipes in the Bergville bulk water scheme, claim no 3 - R114,554 for the refurbishment and upgrade of the waste water treatment works at Khethani.

Judgment was granted against the Municipality in respect of Claims 1 and 2 above, and the Municipality has already made payment to the plaintiff in respect thereof, together with interest. It was subsequently brought to Shepstone & Wylies attention by the Municipality that the plaintiffs attorneys has calculated interest on the two claims at a wrong rate, which resulted in the Municipality overpaying their client in the sum of Approximately R350,000.00. Shepstone & Wylie has since written to the plaintiffs attorneys demanding payment of the overpaid amount.

Water and Sanitation Services South Africa (WSSA) - Thuk3974.6 - RAPS Consulting T/A Viva Technologies had lodged an urgent application for an order interdicting the Municipality from awarding contract number 131/2014 to Water and Sanitation Services South Africa (WSSA) based on an allegation that WSSA's bid Ought to have been disqualified for a number of reasons.

During or about August 2016, Shepstone & Wylie were instructed by the Municipality that the matter had been Settled amicably amongst the parties. Shepstone & Wylie then wrote to the applicants attorneys requesting their confirmation to that effect, but their response was that their client was still intent on pursuing its application against the Municipality. To date, no further steps have been taken by the applicants attorneys to pursue their clients application to finality.

In the circumstances, Shepstone & Wylie were instructed by the Municipality to set the matter down for hearing on the opposed motion roll for the purpose of seeking an order dismissing the applicants application against the Municipality with costs. The date allocated for then hearing of such application was 30 August 2017, and Shepstone & Wylie has already briefed Adv. Finnigan to appear and argue the application on behalf of the Municipality on that date.

On the 30th of August 2017 the application was adjourned to the 12th of December 2017 as the applicant had changed attorneys. Prior to the 12th of December 2017 the applicant offered to withdraw its claim against the Municipality and tender the Municipality's costs. This offer was accepted by the Municipality and made an order of Court when the matter came before Court on the 12th of December 2018. The bill of costs in respect of the Municipality's costs has been taxed and allowed in the sum of R82,029.97.

Shepsyone & Wylie are in the process of closing their file and rendering a final account.

Uthukela District Municipality

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42. Contingent Liabilities (continued)

RASP Consultants CC t/a Vivah Technologies - Thuk3974.13 - Claim amount R65,857 - Summons was issued against the Municipality for the sum of R65,857.23 for goods and services allegedly rendered by the plaintiff to the Municipality and not paid for. The matter has been defended and the pleadings have reached the discovery stage. The Municipality has filed their discovery and Shepstone & Wylie has been called upon by the plaintiffs attorneys to file their discovery. To date no further steps have been taken by the plaintiffs attorneys to pursue the matter to its finality. Shepstone & Wylie wrote to the Municipality advising of same and seeking advice whether to close their file and render out final account statements. They were instructed to set the matter down for cost purposes. Shepstone & Wylie proceeded to instruct local agents to proceed with the necessary steps to obtain pre-trial and trial dates. They are currently awaiting allocation of the pre-trial and trial dates from Court. Pre-trial dates were allocated and the matter was certified ready for trial. The matter proceeded to trial on the 8th of March 2019 and had to be adjourned following witness availability. The trial continued on the 24th of June 2019 and became part heard trial due to time constraints, the trial is set to commence on the 26th of July 2019. Shepstone & Wylie recently obtained instructions to proceed to call out of town witnesses in preparation for the upcoming trial.

RASP Consultants CC t/a Vivah Technologies - Thuk3974.15 - Claim amount R63,400 - Summons was issued against the Municipality for the recovery of R63,399.96 for goods and services allegedly rendered by the plaintiff to the Municipality and not paid for. The matter has been defended and the pleadings have reached the discovery stage.

The Municipality has filed their discovery and the plaintiffs attorneys have filed their discovery. To date no further steps have been taken by the plaintiffs attorneys to pursue the matter to its finality. Shepstone & Wylie wrote to the Municipality advising of same and seeking advice whether they should close their file and render out final account statements. They were instructed to set the matter down for cost purposes. Shepstone & Wylie proceeded to instruct local agents to proceed with the necessary steps to obtain pre-trial and trial dates. They are currently awaiting allocation of the pre-trial and trial dates from Court. The matter proceeded to pre-trial on the 1st of April 2019, following an adjournment. Shepstone & Wylie obtained instructions from the Municipality to settle the matter on the basis that the Municipality did not have a valid defence against the claim considering that RASP did in fact render the services to the Municipality. The negotiated settlement with RASP Consultants and now await further instructions from the Municipality.

T.R. Keswa - Thuk3974.22 - Claim amount R1,853,170 - This is a matter in which the Municipality's erstwhile attorneys in a labour related matter had submitted to the Municipality their bill of costs for the sum of R1,853,170 in respect of the legal services they rendered in the matter. The municipality thought the amount claimed in the bill of costs was rather excessive, and instructed Shepstone & Wylie to submit the bill of costs to the Law Society for taxation. However the Municipality subsequently instructed to hold the matter in abeyance as an attempt was being made by the parties to settle the matter amicably. On instruction from the Municipality Shepstone & Wylie have closed their file.

Ndlalabeyidida Trading (Pty) Ltd - Thuk3974.25 - Claim amount R90,000 - Summons were issued against the municipality for the payment of R90,000. The claim is in respect of an alleged verbal agreement where the plaintiff alleges that she contracted with the Municipality to supply meals at the Uthukela Winter Disaster Awareness, the plaintiff alleges that she honored the contract but the Municipality failed to make payment. The matter has been defended on behalf of the Municipality. Pleadings have closed but the plaintiff has done nothing to pursue the matter to its finality. Steps have been taken to have the matter set down for trial. Prior to the matter being set down for trial, the Court required the plaintiff to conduct a full joinder application to join a certain Vuyani Mthi to the proceedings, joining Vuyani Mthi would require the plaintiff to serve summons on the Mr. Mthi. Shepstone & Wylie wrote to the plaintiffs attorney requesting they did so, following that they receive a notice of withdrawal from the attorneys of record. Shepstone & Wylie wrote to the plaintiff and requested he withdraw the claim against the Municipality and tender costs however no further action has been taken by the plaintiff. Shepstone & Wylie are in the process of setting the matter down for finality.

Contingent assets

Contingent assets

Namandla Roads and Civils	-	7,770,981
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Namandla Roads And Civils - Thuk3974.21 - This is a matter in which the Municipality has instructed Shepstone & Wylie to lodge an application against Mutual and Federal Risk Finance Limited (MFRFL) to claim the sum of R7,770,981 in respect of a performance guarantee issued by MFRFL in terms of which it bounds itself in favour of the Municipality for the performance of Namandla Roads and Civils in the latter's Contract with the Municipality. This follows the default of Namandla in its performance in the relevant contract. The matter is not likely to proceed to trial as MFRFL has already indicated, in principle, its intention to settle the matter by making payment of the guarantee amount to the Municipality.

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42. Contingent Liabilities (continued)

Following a proposal by MFRFL to pay the guarantee amount into the firms trust account, depending on the outcome of an intervention application which had been launched by Namandla in the PMB High Court to be included as a party to the main proceedings, the guarantee amount would either be paid to the Municipality or back to MFRFL.

Judgement in respect of this matter was finally delivered in favour of the Municipality, and MFRFL has already made payment in respect thereof and Shepstone & Wylie collected R8,255,725 which was deposited into the Municipal bank account on the 5th of February 2019.

43. Related parties

Post employment benefit plan for employees of entity and/or other related parties

Post employment benefit plan for employees of a related party of a close family member of key management

Keyhealth
Bonitas

Key management information

Board members	Executive Committee	6
Senior Management	Municipal Manager	1
Senior Management	Chief Financial Officer	1
Senior Management	General Manager Corporate services	1
Senior Management	General Manager Water, Sanitation & Technical Services	Vacant
Senior Management	General Manager Municipal Health & Water Services Authority	1
Senior Management	General Manager Social & Economic Services	1

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Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
44. Prior period errors and restatements		
Prior period errors relates to corrections done in the 2018/2019 financial year which relates to the 2017/2018 financial year.		
Restatements relates to expenditure which has been moved from one expenditure line item to another to restate the disclosures in the statement of financial position and the statement of financial performance for the 2017/2018 financial year.		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Property, plant and equipment	22,138,567	33,224,057
Payables from exchange transactions	(19,937,839)	(17,624,918)
Unspent conditional grants	297,420	-
Consumer debtors	(860,312)	-
Consumer deposits	(8,560,198)	-
VAT payable	(1,600,520)	-
Statement of financial performance		
Revenue from service charges	11,302,248	1,456,326
Interest - Trading services	-	(761,936)
Other income	-	(13,091)
Government grants and subsidies	297,420	-
Employee related costs	67,552	(18,308)
Councillors remuneration	(173,810)	-
Debt impairment provision	(22,323,278)	-
Lease rental on operating leases	(171,600)	(963,691)
Bulk purchases	(1,338,560)	(378,124)
Contracted services	(5,509,626)	(25,323,828)
General expenditure	(12,811,796)	(3,585,453)
Depreciation	(18,706)	-

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

		2019 R	2018 R		
45. Prior period error and restatements - detailed					
Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:					
Statement of financial position					
2018					
	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	9	6,895,436	-	-	6,895,436
Receivables from exchange transactions	10	3,222,937	-	432,210	3,655,147
Receivables from non exchange transactions	11	920,047	-	-	920,047
Consumer debtors	12&13	186,361,210	(860,312)	-	185,500,898
Cash and cash equivalents	14	6,010,767	-	-	6,010,767
Property plant and equipment	4	2,512,759,943	22,138,567	-	2,534,898,510
Intangible assets	5	542,209	-	-	542,209
Receivables from exchange transactions	10	1,658,406	-	-	1,658,406
Receivables from non exchange transactions	11&57	4,592,424	-	-	4,592,424
Prepayments	8	2,423,119	-	-	2,423,119
Operating lease liability	6&38	(159,527)	-	-	(159,527)
Payables from exchange transactions	19	(138,913,138)	(19,937,839)	(432,210)	(159,283,187)
Other accruals		(22,420,123)	-	-	(22,420,123)
Consumer deposits	20	(15,035,281)	(8,560,198)	-	(23,595,479)
Employee benefit obligation	7	(547,340)	-	-	(547,340)
Unspent conditional grants	15	(48,454,826)	297,420	-	(48,157,406)
VAT payable	17	(64,459,162)	(1,600,520)	-	(66,059,682)
Other liabilities	53	(23,370,656)	-	-	(23,370,656)
Employee benefit obligation	7	(31,812,818)	-	-	(31,812,818)
		2,380,213,627	(8,522,882)	-	2,371,690,745

Other liabilities "advance receipts - transfers" to the amount of R23,370,656 was received from National Departments during the 2015/2016 financial year as at year end, 30 June 2016, it has not been confirmed if the funding was in respect of Drought relief. During the 2016/2017 financial year it was established that R15,686,192 was in respect of the Regional Bulk Infrastructure Grant.

The R15,686,192 was transferred to the unspent liability in respect of the RBIG grant and unspent grants as at 30 June 2016 was restated,

Unspent conditional grants reduced from R48,454,826 to R48,157,406 due to expenditure incurred during the 2017/2018 financial year not recognised as grant income in respect of the District Growth and Development Grant.

Payables from exchange transactions increased from R138,913,138 to R159,283,187 due to invoices submitted late in respect of expenditure which relates to the 2017/2018 financial year and a restatement of R432,210. The statement of financial position has been restated.

Debtors refunds has been restated in the statement of financial position (trade debtors - Receivables from exchange transactions).

Consumer deposits increased by R8,530,19 due to deposits raised in 2018/2019 which relates to 2017/2018.

Vat payable increased from R64,459,162 to R66,059,682.

Consumer debtors increased from R186,361,210 to R185,500,898 due to correction of revenue understated as at 30 June 2018.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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45. Prior period error and restatements - detailed (continued)

During the asset verification process in the 2018/2019 financial year assets to the amount of R22,138,567 were identified which were not previously capitalized. PPE has therefore been restated as at 30 June 2018.

Total net assets therefore decreased from R2,380,213,627 to R2,371,745 as a result of the prior period error adjustments of R1,637,836 as at 30 June 2018 and the statement of financial position has been restated.

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

		2019 R	2018 R		
45. Prior period error and restatements - detailed (continued)					
Statement of financial performance					
2018					
	Note	As previously reported	Correction of error	Re- classification	Restated
Revenue from service charges	22	169,245,359	11,302,248	-	180,547,607
Interest received - trading services	21	43,393,190	-	-	43,393,190
Onther income	21	3,750,848	-	-	3,750,848
Other income - donations	21	4,191,714	-	-	4,191,714
Interest received - investments	21	1,172,704	-	-	1,172,704
Government grants	21&26	669,572,517	297,420	-	669,869,937
Public contributions and donations	21	7,786,949	-	-	7,786,949
Employee related costs	28	(253,202,908)	67,552	-	(253,135,356)
Remuneration of councillors	29	(6,546,749)	(173,810)	-	(6,720,559)
Depreciation and amortization	30	(68,222,192)	(18,706)	-	(68,240,898)
Impairment loss	4	(5,629,839)	-	-	(5,629,839)
Finance costs	32	(2,788,880)	-	-	(2,788,880)
Lease rentals on operating leases	38	(836,040)	(171,600)	-	(1,007,640)
Debt impairment provision	33	(109,458,724)	(22,323,278)	-	(131,782,002)
Bad debt written off	49	(13,392,510)	-	-	(13,392,510)
Bulk purchases	34	(3,439,550)	(1,338,560)	-	(4,778,110)
Contracted services	35	(88,701,494)	(5,509,626)	(18,096,106)	(112,307,226)
General expenditure	36	(136,825,152)	(12,811,796)	18,096,106	(131,540,842)
Gain / (Loss) on write off of assets	7	(3,884,205)	-	-	(3,884,205)
Surplus for the year		206,185,038	(30,680,156)	-	175,504,882
Statement to changes in nett assets					
		As previously reported	Correction of error	Re- classification	Restated
		2,380,213,627	(8,522,882)	-	2,371,690,745
Subtotal		2,380,213,627	(8,522,882)	-	2,371,690,745
		2,380,213,627	(8,522,882)	-	2,371,690,745

Revenue from service charges increased with R11,302,248 from R169,245,359 to R180,547,607.

Grant income recognized increased with R297,420 from R669,572,517 to R669,869,937 due to expenditure incurred during the 2017/2018 financial year in respect of the District growth and Development Grant.

Employee related costs decreased with R67,552 from R253,202,908 to R253,135,356 as at 30 June 2018.

Councillors remuneration increased with R173,810 from R6,546,749 to R6,720,559 as at 30 June 2018.

Depreciation increased with R18,706 from R68,222,192 to R68,240,898 as at 30 June 2018.

Lease rentals on operating leases increased with R171,600 from R836,040 to R1,007,640 as at 30 June 2018.

Repairs and maintenance has been re-classified under contracted services and in terms of GRAP 17 maintenance and repairs must be disclosed by nature of expense under PPE. Refer to note 4 (PPE) for the detailed disclosure of maintenance and repairs).

Bulk purchases increased with R1,338,560 from R3,439,550 to R4,778,110 as at 30 June 2018.

Contracted services increased with R5,509,626 and R18,096,406 (restatements) from R88,701,494 to R112,307,226 as at 30 June 2018.

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Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

		2019 R	2018 R			
45. Prior period error and restatements - detailed (continued)						
General expenditure increased with R12,811,796 and decreased with R18,076,406 (restatements) from R136,825,152 to R131,540,842 as at 30 June 2018.						
In terms of GRAP 1 and GRAP 3 operational grant expenditure has to be disclosed by nature of expense and therefore there is no line item in the statement of financial performance for the disclosure of grant expenditure.						
Cash flow statement						
2018						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Cash flow from operating activities						
Service charges		104,940,191	8,579,146	-	-	113,519,337
Grants received		663,084,261	6,785,676	-	-	669,869,937
Interest income.		4,191,714	-	-	-	4,191,714
Other cash items		3,750,848	-	-	-	3,750,848
Employee and Councillors costs		(259,749,657)	(106,258)	-	-	(259,855,915)
Suppliers and other		(234,375,254)	(15,258,564)	-	-	(249,633,818)
Finance costs		(2,788,880)	-	-	-	(2,788,880)
		279,053,223	-	-	-	279,053,223
Cash flow from investing activities						
Purchase of property plant and equipment			(295,236,875)		-	-
Cash flow from financing activities						
Net increase in other liabilities (consumer deposits)			1,453,626		-	1,453,626
Movement in other liabilities			14,768,172		-	14,768,172
Increase / (decrease) in finance lease liabilities			(25,264)		-	(25,264)
			16,196,534		-	16,196,534
Errors						
During the 2018/2019 financial period the Municipality's Management realised that service charges amounting to R21,462,966 were not recognised in 2017/2018 and had been recognised in the 2018/2019 financial year in the statement of financial performance due to an error .						
If retrospective restatement is impracticable for a particular prior period, disclose the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.						
The following prior period errors adjustments occurred:						
Statement of financial position						
Balance as at 1 July 2018			842,581,362			821,118,360
Statutory receivables			-			21,462,966
			842,581,362			842,581,326
Restated balance as at 1 July 2018						
Consumer debtors			940,985,400			-
Statutory receivables			50,057,638			-
			991,043,038			-

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Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
45. Prior period error and restatements - detailed (continued)		
Statement of financial performance		
Decrease in revenue for service charges	(21,462,966)	-
Statement of changes in net assets		
Increase in accumulated surplus	-	21,462,966

Debtors restate balance as at 30 June 2018 amounts to R842,581,326.

Debtors balance as at 30 June 2019 amounts to R991,043,038.

The decrease in revenue in respect of the 2018/2019 financial year amounts to R21,462,966 and the increase in the accumulated surplus in respect of the 2017/2018 financial year amounts to R21,462,966.

Change in accounting policy

Effective 1 July 2018 the Municipality changed its accounting policy on the recognition of the statutory receivables where premises or consumers are provided with water or availability thereof, the Municipality deems that an agreement exists in terms of the water services bylaws and in line with statutory receivables.

The following change in accounting policies occurred:

Statement of financial position		
Consumer debtors	940,985,400	821,118,360
Statutory receivables	50,057,638	21,462,966
	991,043,038	842,581,326
Statement of financial performance		
Increase / (decrease) in revenue	(21,462,966)	21,462,966

Change 1

GRAP 108.

The Municipality has applied GRAP 108 in accounting for statutory receivables as follows.

- Carrying amount is the amount at which an asset is recognised in the statement of financial position.
- The cost method used to account for statutory receivables at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.
- Nominal interest rate is the prevailing interest rate as approved by Council.

Statutory receivables are receivables that..

- arise from water services bye-laws; and
- require settlement by another entity in cash or another financial asset. The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with prevailing Council approved tariffs supported by the water services bye-laws.

The Municipality initially measures statutory receivables at cost of the transaction amount.

Subsequent to initial recognition statutory receivables takes into account the following.

- interest or other charges that may have accrued on the receivables (where applicable)
- impairment losses; and
- amounts derecognised

Reclassifications

Due to amendments to GRAP1 and GRAP3 - "Presentation of Financial Statements", operational grants have to be disclosed by nature of expense and therefore has been reclassified in the statement of financial performance.

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	2019 R	2018 R
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45. Prior period error and restatements - detailed (continued)

Due to amendments to Grap 17 - "Presentation of Financial Statements", repairs and maintenance has to be disclosed by nature of expense and has therefore been disclosed in note 4 under PPE.

Reclassification 1

Burial Services has been reclassified as contracted services - from general expenditure - other.

Artist and performers has been reclassified as contracted services - from general expenditure - other.

Employee wellnes has been reclassified as contracted services - from general expenditure - medical.

Maintenance and repairs has been reclassified as contracted services - from general expenditure.

Legal cost has been reclassified as contracted services - from general expenditure - consulting and professional fees.

Reclassification 2

Plant and equipment hier has been restated as general expenditure - from contracted services.

Insurance has been reclassified as general expenditure - from contracted services.

Chemicals has been reclassified as general expenditure - from contracted services.

46. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Bank balance and cash	43,906,014	6,010,767
Consumer debtors from exchange transactions	201,976,124	207,824,176
Other receivables from exchange transactions	72,798,104	4,881,343
Reveivables from non-exchange transactions	4,938,176	5,512,471

47. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 2,521,225,692 and cost coverage ratio is one month.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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47. Going concern (continued)

The municipalities current liabilities R392,951,156 exceeds current assets R322,394,346 at 30 June 2019 and current ratio is 0.82 as opposed to the norm that ranges from 1.5 to 2.1 which casts a material uncertainty that the municipality can continue as a going concern.

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Municipality started experiencing cash flow difficulties from the 2016/2017 financial year. A interim Finance Committee has been established during the 2018/2019 financial year to manage cash flow and monitor the implementation of cost containment measures. The financial position of the Municipality is improving and unspent conditional grants at year end are cash backed.

Management acknowledges the decrease in the cost coverage ratio with great concern and measures have been put in place to address the situation. All high cost drivers have been identified and a strategy to deal with them has been developed and implementation is monitored.

It must be noted that the drought and related expenditure experienced during previous financial years had the biggest impact on the municipality's cash reserves.

Management has developed a revenue enhancement strategy and is implementing the credit control policy in an effort to improve revenue collection. Two service providers (debt collectors) were appointed during the financial year to assist the municipality with the collection of outstanding debt.

Management has also implemented MFMA Circular 82 "Cost containment measures" in an effort to cut down on operational expenditure.

The core function of the municipality is the provision of water and sanitation and the position of key manager, which is GM: Technical and Water Services Department has been vacant for more than two years.

Departments have submitted their procurement plans to the SCM unit in order to manage cash outflows.

Weekly cash flows projections are performed and management will re-asses the municipality's financial position after the first six months of the year.

The disapproval of the roll over application of the unspent portions of the Regional Bulk Infrastructure grant (R14,768,000 - 2016/2017) and (R46,380,000 - 2017/2018) as well as the Rural Road Asset Management grant (R1,227,391 - 2017/2018) impacted negatively on the municipality's cashflow. R61,148,000 in respect of RBIG was recovered from the equity share allocation for the 2018/2019 financial year.

The R1,227,391 in respect of the Rural Road Asset Management grant was not recovered by National Treasury nor was a refund requested.

48. Events after the reporting date

A Municipal vehicle was stolen at the end of July 2019 and the book value of the said vehicle is R147,862,990.

This was reported to the Municipality's insurers and they have since appointed a assessor to investigate the matter.

49. Bad debt written off

Irrecoverable debt written off

Indigent write-offs	(507,535)	13,173,150
One third incentive write-offs	-	117,312
Other bad debt written off	(3,577)	102,048
Discount allowed	6,819,158	-
	6,308,046	13,392,510

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
50. Unauthorised expenditure		
Opening balance as previously reported	279,776,291	372,228,911
Opening balance as restated	279,776,291	372,228,911
Add: Unauthorised expenditure - current period	153,251,380	70,971,243
Less: Amount written off - prior period - 2016/2017 - Council resolution 12.3 dated 29 June 2018	-	(163,411,963)
Less Amounts written off - 2017/2018 financial year - Council resolution 12.3 dated 29 June 2018	-	(11,900)
Less: Amounts written off June 2019 - Council resolution A02/06/19 dated 28 June 19	(279,776,291)	-
Less: Amounts written off June 2019 - Council resolution A02/06/19 dated 28 June 19	(120,924,549)	-
Closing balance	32,326,831	279,776,291

Unauthorized expenditure is the result of the overspending of the total amounts appropriated in the municipality's budget for the financial year.

The total operating budget amounted to R716,844,000 and the actual expenditure to R870,095,380 as at 30 June 2019. Operating expenditure therefore exceeded the budget by R153,251,380 at year end.

The total capital budget amounted to R345,155,000 and the actual expenditure to R244,682,580 as at 30 June 2019.

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	13,580,642	52,192,470
Cash	139,670,738	18,778,773
	153,251,380	70,971,243

Disciplinary steps taken/criminal proceedings

No disciplinary steps has been taken and no criminal proceedings instituted.

51. Fruitless and wasteful expenditure

Opening balance as previously reported	333,077	235,566
Opening balance as restated	333,077	235,566
Add: Fruitless and wasteful expenditure - current period	1,988,240	206,065
Less: Amount written off - prior period - 2016/2017 - Council resolution 12.3 dated 29 June 2018	-	(23,976)
Less amounts written off 2017/2018 financial year - Council resolution 12.3 dated 29 June 2018	-	(84,578)
Less: amount written off - 31st August 2018	(106,770)	-
Less: amount written off - 2014/2015 and prior years - Council resolution A02/06/19 dated 28 June 2019 financial year	(205,094)	-
Less: amount written off - 2018/2019 - Council resolution A02/06/19 dated 28 June 19	(1,610,953)	-
Closing balance	398,500	333,077

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
51. Fruitless and wasteful expenditure (continued)		
Expenditure identified in the current year include those listed below:		
Heading		
Eskom	81,948	49,503
Watersol	6,458	28,823
KZN Transport	-	14,755
Telkom	1,697	180
Natal Joint Municipal Pension Fund	-	6,034
AZAR Attorneys	-	106,770
Afred Duma Local Municipality	29,873	-
Berrange Incorporated	65,443	-
Macaully & Riddel	2,237	-
Auditor General	17,966	-
Lalparsad Inc. Trust	1,330,890	-
Quickstep	74,441	-
Wesbank	38,669	-
Umgeni Water	338,618	-
	1,988,240	206,065

	Disciplinary steps taken/criminal proceedings		
Fruitless and wasteful expenditure - 2016/2017	No disciplinary steps taken and no criminal proceedings	-	23,976
Fruitless and wasteful expenditure - 2017/2018	No disciplinary steps taken and no criminal proceedings	-	84,578
Fruitless and wasteful expenditure - 2017/2018 - AZAR Attorney	No disciplinary steps taken and no criminal proceedings	106,770	-
Fruitless and wasteful expenditure - 2017/2018	No disciplinary steps taken and no criminal proceedings	205,094	-
Fruitless and wasteful expenditure - 2018/2019	No disciplinary steps taken and no criminal proceedings	1,610,953	-
		1,922,817	108,554

Fruitless and wasteful expenditure in respect of AZAR Attorneys amounting to R106,770 were written off by Council on the 31st of August 2018 after further investigations was performed.

The amount of R65,443 paid to Berrange Incorporated was for interest on retention in respect of AJT Plant & Equipment Hire.

The amount of R1,330,890 paid to Lalparsad Inc. Trust was for interest as per Court judgement in respect of Ubunsima Trading.

The amount of R74,441 paid to Quickstep was for interest on late payment of invoices submitted.

The amount of R338,618 relates to interest charged by Umgeni Water for late payment.

Amounts recoverable

After the council committee investigations, council adopted the council committee recommendations to recover the amounts from the municipal official as it was proven without reasonable doubt that the official was liable for the identified non-compliance to the SCM processes.

KZN Transport - relates to pending disciplinary hearing with regards to fleet management	-	14,755
Watersol - failure to follow proper SCM processes	6,458	-
	6,458	14,755

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

		2019 R	2018 R
51. Fruitless and wasteful expenditure (continued)			
Amounts written-off			
After the Council committee investigation, Council adopted the Council committee recommendations and the following were written off.			
	Condoned by Council		
Written off in respect of the 2016/2017 financial year	Council resolution 12.3 dated 29 June 2018	-	23,976
Written off in respect of the 2017/2018 financial year	Council resolution 12.3 dated 29 June 2018	-	84,578
Written off - AZAR Attorneys - Council 31 August 2018	Council resolution 31 August 2018	106,770	-
Written off in respect of the 2017/2018 financial year	Council resolution A02/06/19 dated 28 June 2019	205,094	-
Written off in respect of the 2018/2019 financial year	Council resolution A02/06/19 dated 28 June 2019	1,610,953	-
		1,922,817	108,554
52. Irregular expenditure			
Opening balance		329,295,807	55,681,855
Plus: irregular expenditure - current year		232,637,506	399,834,102
Adjustments		561,933,313	455,515,957
Less amounts written off - 2017/2018 - Council resolution 12.3 - 29 June 2018		-	(126,220,150)
Less: Amounts written off - 2016/2017 - Council resolution A02/06/19 dated 28 June 2019		(55,681,855)	-
Less: Amounts written off - 2017/2018 - Council resolution A02/06/19 dated 28 June 2019		(273,613,952)	-
Less: Amounts written off - 2018/2019 - Council resolution A02/06/19 dated 28 June 2019		(232,637,506)	-
Closing balance		-	329,295,807

Management went as far back as possible to identify irregular expenditure incurred for the disclosure in the financial statements.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
52. Irregular expenditure (continued)		
Incidents/cases identified in the current year include those listed below:		
Section 36 Deviations	-	1,440,917
Section 32 deviations	22,241,832	61,022,491
Non compliance with SCM regulations	163,669,342	221,241,643
Expired contracts	42,100,794	41,471,824
Drought relief expenditure	-	74,624,935
Less than three quotations received	4,625,538	32,292
	232,637,506	399,834,102

	No disciplinary steps taken/criminal proceedings		
Irregular expenditure incurred 2011/2012 to 2016/2017 financial years	No disciplinary steps taken and no criminal proceedings.	-	873,632,744
Irregular expenditure incurred 2017/2018 financial year	No disciplinary steps taken and no criminal proceedings	-	126,220,150
Irregular expenditure incurred 2018/2019 financial year	No disciplinary steps taken and no criminal proceedings	55,681,855	-
Irregular expenditure incurred 2017/2018 financial year	No Disciplinary steps taken and no criminal proceedings	273,613,952	-
Irregular expenditure incurred 2018/2019 financial year	No criminal steps taken and no criminal proceedings	232,637,506	-
		561,933,313	999,852,894

Amounts written-off

After the Council committee investigations, Council adopted the committee's recommendations and amounts were written off as listed below.

Irregular expenditure - 2011/2012 - Council resolution A39/06/17	-	18,658,192
Irregular expenditure - 2012/2013 - Council resolution A39/06/17	-	22,172,037
Irregular expenditure - 2013/2014 - Council resolution A39/06/17	-	178,224,432
Irregular expenditure - 2014/2015 - Council resolution A39/06/17	-	281,207,607
Irregular expenditure - 2015/2016 - Council resolution A39/06/17	-	211,395,124
Irregular expenditure - 2016/2017 - Council resolution A39/06/17	-	161,975,352
Irregular expenditure - 2017/2018 - Council resolution 12.3 dated 29 June 2018	-	126,220,150
Irregular expenditure - 2016/2017 - Council resolution A02/06/19 dated 28 June 2019	55,681,855	-
Irregular expenditure - 2017/2018 - Council resolution A02/06/19 dated 28 June 2019	273,613,952	-
Irregular expenditure - 2018/2019 - Council resolution A02/06/19 dated 28 June 2019	232,637,506	-
	561,933,313	999,852,894

53. Other liabilities "Advance receipts - transfers"

Advance receipts - Unidentified transfers	-	8,602,484
National Treasury - in respect of the unspent Regional Bulk Infrastructure Grant as at 30 June 2017 - application for roll over from 2016/2017 to 2017/2018 disapproved	-	14,768,172
	-	23,370,656

Two transfer payments (R1,044,284) and (R7,558,200) was received on the 31st of March 2016. As at year end, 30 June 2016, there was uncertainty as to what the transfer relates to and no confirmation could be obtained to confirm what the funding was in respect of and whether it was a National or Provincial transfer.

The Municipality has been unable to establish the source of the R8,602,484 and it remained a liability as at 30 June 2018.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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53. Other liabilities "Advance receipts - transfers" (continued)

All avenues has been exhausted and the Municipality has been unable to establish the source of the R8,602,484 and has therefore transferred the moneys from the liability account to the accumulated surplus account during the 2018/2019 financial year.

As at year end 30 June 2017 the unspent position of the Regional Bulk infrastructure grant amounted to R67,063,172. The municipalities application for roll over was declined and National treasury informed the municipality that the amount will be recovered as follows.

- * The first repayment against the December 2017 equity share allocation for the amount of R25.1 million.
- * The second repayment against the March 2018 equity share allocation for the amount of R27.2 million.
- * The third repayment will be against the July 2018 equity share allocation for the amount of R14.8 million.

To provide for this the municipality created National Treasury as a creditor at year end 30 June 2018.

The R14.8 was recovered by National Treasury from the 2018/2019 financial year equity share.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2,984,004	2,470,923
Amount paid - current year	(2,984,004)	(2,470,923)
	-	-

Audit fees

Current year subscription / fee	3,038,637	2,989,767
Amount paid - current year	(3,038,637)	(2,989,767)
	-	-

PAYE, UIF and SDL

Current year subscription / fee	48,707,462	41,301,776
Amount paid - current year	(48,707,462)	(41,301,776)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	45,068,405	38,851,965
Amount paid - current year	(45,068,405)	(38,851,965)
	-	-

55. Actual operating expenditure versus budgeted operating expenditure

Refer to "Statement of comparison of budget and actual amounts" for the comparison of actual operating expenditure versus budgeted expenditure.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

	2019 R	2018 R
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56. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the unaudited annual financial statements.

Supply chain deviations

Deviations supported by approval memos	6,820,802	3,094,414
Less than the three minimum of three responses received	62,250	4,204,639
Sole supplier for the renewal of IT licensing	29,860	119,293
	6,912,912	7,418,346

57. Fraudulent activities

Heading

Payroll fraude - March 2012 to February 2014	4,592,424	4,592,424
Cashiers shortages - Estcourt satellite office - May 2017	26,070	26,070
KZN transport	14,755	14,755
Various service providers - fuel and oil	6,000,000	6,000,000
	10,633,249	10,633,249

Council has identified fraudulent activities on the payroll which took place over the period March 2012 to February 2014. The Internal Audit Unit has verified the fraudulent transactions which amounted to R4,592,424 in total. Initially it was 27 employees whom were identified to be involved in these fraudulent activities. All 22 were dismissed.

The employees in question referred the matter to arbitration. All cases which have been finalized were in favour of the Municipality. From the arbitration hearings two cases were referred to the Labour Court.

Council has through a litigation process attempting to recover all monies. Cases have been opened however the process is in the hands of the National Prosecuting Authority and the process has been halted. There is doubt to the possibility of recovery.

During May 2017 the cashier in the Estcourt satellite office issued receipts to the amount of R25,770 which could not be reconciled with the daily deposits. Upon investigation it was found that not only was the money not deposited by the cashier but her float of R300 was also missing.

The cashier absconded and has not returned for duty. The Senior Debtors Clerk made a sworn statement with the SAPS on the 7th of July 2017 and management has resolved to initiate criminal action against the cashier.

The amount of R14,755 "KZN Transport" relates to the pending investigation on fleet related matters.

The amount of R6,000,000 (2017/2018) relates to pending investigation on fleet related matters.

Also refer to note 11.

June 2019

Analysis of property, plant and equipment as at 30 June 2019

Land and buildings

Land (Separate for AFS purposes)

Buildings (Separate for AFS purposes)

Buildings (Separate)

Infrastructure

Water and sewerage purification

Sewerage purification

Community Assets

June 2019

Analysis of property, plant and equipment as at 30 June 2019

Heritage assets
Specialised vehicles
Other assets

June 2019

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
42,389,612	-	-	-	-	-	42,389,612	(2,998,767)	-	-	(1,285,336)	-	(4,284,103)	38,105,509
2,642,194,210	3,159,653	(109,359,716)	85,622,369	-	-	2,621,616,516	(642,493,846)	48,259,152	-	(57,957,990)	(5,943,824)	(658,136,508)	1,963,480,008
549,954,860	241,522,929	(4,170,809)	(85,622,369)	-	-	701,684,611	(48,203,554)	(14,206,771)	-	(11,123,781)	-	(73,534,106)	628,150,505
3,234,538,682	244,682,582	(113,530,525)	-	-	-	3,365,690,739	(693,696,167)	34,052,381	-	(70,367,107)	(5,943,824)	(735,954,717)	2,629,736,022
786,557	-	-	-	-	-	786,557	(244,348)	-	-	(42,159)	-	(286,507)	500,050
786,557	-	-	-	-	-	786,557	(244,348)	-	-	(42,159)	-	(286,507)	500,050
42,389,612	-	-	-	-	-	42,389,612	(2,998,767)	-	-	(1,285,336)	-	(4,284,103)	38,105,509
2,642,194,210	3,159,653	(109,359,716)	85,622,369	-	-	2,621,616,516	(642,493,846)	48,259,152	-	(57,957,990)	(5,943,824)	(658,136,508)	1,963,480,008
549,954,860	241,522,929	(4,170,809)	(85,622,369)	-	-	701,684,611	(48,203,554)	(14,206,771)	-	(11,123,781)	-	(73,534,106)	628,150,505
786,557	-	-	-	-	-	786,557	(244,348)	-	-	(42,159)	-	(286,507)	500,050
3,235,325,239	244,682,582	(113,530,525)	-	-	-	3,366,477,296	(693,940,515)	34,052,381	-	(70,409,266)	(5,943,824)	(736,241,224)	2,630,236,072

July 2018

Cost/Revaluation

Land and buildings

Land (Separate for AFS purposes)	4,770,771	-	-	-	-	-	4,770,771	-	-	-	-	-	4,770,771
Buildings (Separate for AFS purposes)	27,462,678	10,156,163	-	-	-	-	37,618,841	(1,795,894)	-	-	(1,202,873)	(2,998,767)	34,620,074
	32,233,449	10,156,163	-	-	-	-	42,389,612	(1,795,894)	-	-	(1,202,873)	(2,998,767)	39,390,845

Infrastructure

Water and Sewerage purification	2,426,154,683	222,954,106	(6,914,580)	-	-	-	2,642,194,209	(589,915,594)	3,922,571	-	(56,500,821)	(5,943,823)	(648,437,667)	1,993,756,542
	2,426,154,683	222,954,106	(6,914,580)	-	-	-	2,642,194,209	(589,915,594)	3,922,571	-	(56,500,821)	(5,943,823)	(648,437,667)	1,993,756,542

Community Assets

June 2019

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
810,515	-	-	-	-	-	810,515	(743,648)	-	-	-	-	(743,648)	66,867
810,515	-	-	-	-	-	810,515	(743,648)	-	-	-	-	(743,648)	66,867
53,657,569	7,946,007	(2,219,790)	-	-	-	59,383,786	(31,751,098)	1,359,991	-	(9,036,627)	-	(39,427,734)	19,956,052
5,141,799	128,827	(26,677)	-	-	-	5,243,949	(2,853,064)	17,416	-	(638,969)	-	(3,474,617)	1,769,332
4,171,449	741,200	(36,890)	-	-	-	4,875,759	(2,277,395)	21,746	-	(440,928)	-	(2,696,577)	2,179,182
2,580,034	-	(12,210)	-	-	-	2,567,824	(1,490,456)	4,219	-	(374,922)	-	(1,861,159)	706,665
431,975,655	283,688,652	-	(226,399,432)	-	-	489,264,875	-	(12,191,850)	-	-	-	(12,191,850)	477,073,025
497,526,506	292,504,686	(2,295,567)	(226,399,432)	-	-	561,336,193	(38,372,013)	(10,788,478)	-	(10,491,446)	-	(59,651,937)	501,684,256

June 2019

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
32,233,449	10,156,163	-	-	-	-	42,389,612	(1,795,894)	-	-	(1,202,873)	-	(2,998,767)	39,390,845
2,426,154,683	222,954,106	(6,914,580)	-	-	-	2,642,194,209	(589,915,594)	3,922,571	-	(56,500,821)	(5,943,823)	(648,437,667)	1,993,756,542
810,515	-	-	-	-	-	810,515	(743,648)	-	-	-	-	(743,648)	66,867
497,526,506	292,504,686	(2,295,567)	(226,399,432)	-	-	561,336,193	(38,372,013)	(10,788,478)	-	(10,491,446)	-	(59,651,937)	501,684,256
2,956,725,153	525,614,955	(9,210,147)	(226,399,432)	-	-	3,246,730,529	(630,827,149)	(6,865,907)	-	(68,195,140)	(5,943,823)	(711,832,019)	2,534,898,510
786,556	-	-	-	-	-	786,556	(178,938)	-	-	(65,409)	-	(244,347)	542,209
786,556	-	-	-	-	-	786,556	(178,938)	-	-	(65,409)	-	(244,347)	542,209
32,233,449	10,156,163	-	-	-	-	42,389,612	(1,795,894)	-	-	(1,202,873)	-	(2,998,767)	39,390,845
2,426,154,683	222,954,106	(6,914,580)	-	-	-	2,642,194,209	(589,915,594)	3,922,571	-	(56,500,821)	(5,943,823)	(648,437,667)	1,993,756,542
810,515	-	-	-	-	-	810,515	(743,648)	-	-	-	-	(743,648)	66,867
497,526,506	292,504,686	(2,295,567)	(226,399,432)	-	-	561,336,193	(38,372,013)	(10,788,478)	-	(10,491,446)	-	(59,651,937)	501,684,256
786,556	-	-	-	-	-	786,556	(178,938)	-	-	(65,409)	-	(244,347)	542,209
2,957,511,709	525,614,955	(9,210,147)	(226,399,432)	-	-	3,247,517,085	(631,006,087)	(6,865,907)	-	(68,260,549)	(5,943,823)	(712,076,366)	2,535,440,719

Uthukela District Municipality

Appendix D

June 2019

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
52,315,000	47,597,694	4,717,306	Executive & Council/Mayor and Council	-	58,100,420	(58,100,420)
313,586,908	212,743,626	100,843,282	Finance & Admin/Finance	404,695,586	273,126,856	131,568,730
-	16,154,362	(16,154,362)	Planning and Development/Economic Development/Plan	-	26,743,443	(26,743,443)
-	17,761,007	(17,761,007)	Health/Clinics	-	22,042,358	(22,042,358)
17,252,685	928,513	16,324,172	Waste Water Management/Sewerage	27,400,607	466,115	26,934,492
527,558,356	440,022,865	87,535,491	Water/Water Distribution	624,933,675	489,616,188	135,317,487
910,712,949	735,208,067	175,504,882		,057,029,868	870,095,380	186,934,488
Municipal Owned Entities Other charges						
910,712,949	735,208,067	175,504,882	Municipality	,057,029,868	870,095,380	186,934,488
910,712,949	735,208,067	175,504,882	Total	,057,029,868	870,095,380	186,934,488

Uthukela District Municipality

Appendix E(1)

June 2019

Yearly

	Forecast # 1 2019 Bud. Amt	Forecast # 1 2019 Act. Bal.	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Service charges	295,664,000	226,010,606	69,653,394	30.8	Service charges were not accurately budgeted for.
Interest received (trading)	50,456,000	56,209,768	(5,753,768)	(10.2)	Outstanding debt has increased due to non-payment of accounts.
Government grants - operating	418,073,000	409,171,166	8,901,834	2.2	
Government grants - capital	344,995,000	342,101,407	2,893,593	0.8	
Other income	11,199,000	10,512,304	686,696	6.5	
Actuarial gains	-	5,934,317	(5,934,317)	(100.0)	Were not budgeted for.
Interest received - investment	5,928,000	7,090,300	(1,162,300)	(16.4)	More surplus cash was invested.
	<u>1,26,315,000</u>	<u>1,057,029,868</u>	<u>69,285,132</u>	<u>6.6</u>	
Expenses					
Personnel	(271,837,000)	(292,992,362)	21,155,362	(7.2)	
Remuneration of councillors	(7,456,000)	(6,485,619)	(970,381)	15.0	The saving is as a result of the number of meetings and attendance.
Depreciation	(64,000,000)	(70,409,267)	6,409,267	(9.1)	
Finance costs	(949,000)	(4,924,723)	3,975,723	(80.7)	Finance costs were not accurately budgeted for.
Debt Impairment	(136,628,000)	(136,548,615)	(79,385)	0.1	
Collection costs	-	-	-	-	
Bad debt write off	-	(6,308,046)	6,308,046	(100.0)	This was not budgeted for
Repairs and maintenance - General	(14,384,000)	-	(14,384,000)	-	Repairs and maintenance included in contracted services and disclosed under note 4 "PPE"
Lease rental on operating leases	-	(991,020)	991,020	(100.0)	Budgeted under general expenditure
Bulk purchases	(4,000,000)	(46,173,695)	42,173,695	(91.3)	DWS did not bill the municipality during the year and a provision was made based on outstanding amounts due as at 30 June 2019. Umgeni Water has billed the Municipality from January 2019 to June 2019 for purified water.
Contracted Services	(139,420,000)	(91,913,676)	(47,506,324)	51.7	Not accurately budgeted for.
Transfers and Subsidies	(450,000)	-	(450,000)	-	
General Expenses	(77,720,000)	(212,405,643)	134,685,643	(63.4)	Not accurately budgeted for.
	<u>(716,844,000)</u>	<u>(869,152,666)</u>	<u>152,308,666</u>	<u>(17.5)</u>	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	-	(942,714)	942,714	(100.0)	Loss on disposal of assets were not budgeted for.
	-	(942,714)	942,714	(100.0)	
Net surplus/ (deficit) for the year					
	<u>409,471,000</u>	<u>186,934,488</u>	<u>222,536,512</u>	<u>119.0</u>	